How public-private partnerships are finding the right track for success

Public-private partnerships, or P3s, have become a common means of successfully delivering infrastructure projects in Canada. Over the past 20 years, they’ve been refined to ensure they’re providing value to taxpayers and the public. P3s create value by balancing risk between the private and public sectors.

In exchange comes the collective experience of the partners and certainty on cost and timing. In recent years, the industry has gotten specific in understanding what size projects will benefit most from the P3 model. Bombardier, Canada’s leading mobility solutions provider, is a global leader in rail P3 projects, and has delivered projects of varying sizes under the P3 model.

Right-sizing P3s

“When P3s opened up a new procurement model for large projects in Canada, the industry began with small projects, such as Vancouver’s Canada Line,” says Guillaume Bouthillier, President and Chief Operating Officer of Global Partnerships at Bombardier Transportation. “As P3s became more attractive, larger projects were constructed using this model, but they weren’t always as successful.” In the industry, having the right fit is essential.

“The industry is retraining its models to accommodate and understand what size projects land themselves best to the P3 model. There's a sweet spot, where the project can't be too small or too big,” he says. Having worked on projects that have delivered over 100,000 rail cars and moving half-a-billion people every day in 200 cities, there are a limited number of companies that can bring the kind of global experience that Bombardier has to rail projects.

Integration is key

There are a lot of components that make up any large infrastructure project, but with rail, there’s another level of complexity, because the trains require maintenance and operation through the life cycle of the decades-long contract. It’s different from a highway or bridge, which requires less maintenance. Accordingly, there is a need to bring together a consortium of partners to orchestrate the ensemble of components. “Projects that tend to be successful are the ones where there is a holistic approach to solutions,” says Bouthillier. “Without this, you can have trains that don't fit, or trains not built to the right dimensions, or weight issues on the tracks.”

Right-sizing P3s

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According to Bouthillier, Edmonton’s light rail Valley Line, currently under construction, is a good example of what a well-integrated P3 project can deliver. Four partners, including Bombardier, have formed Transit4, which is overseeing the five-year design-build and 10-year operation and maintenance of the line. “This is the perfect one project – just under $2 billion dollars – for a P3 of this kind,” says Bouthillier. “The smaller scale of this project made it easier to bring together the right team, and we’ve even incorporated the city’s urban planning into the project.”

Guillaume Bouthillier

Vice President & Head of Global Partnerships, Bombardier Transportation

Q&A with Richard Florida

Richard Florida is an author, urbanist, and the current Director of Cities at the Martin Prosperity Institute. We spoke with him about how Canadian cities can evolve and prepare for the future through P3s.

Mediaplanet: You founded the Creative Class Group which focuses on helping companies and regions achieve growth and prosperity. In your experience, what role can private partner play in improving our cities? Richard Florida: In Canada, the private sector has got to play a bigger role in driving the revival of urban areas. We’re seeing a massive transformation in how our cities are built and how they propel innovation. With the rise of urban technology, there’s risk-sharing, co-working, and co-living, the city is becoming an arena of innovation, and companies are driving that.

A future city is one built with innovation in mind. Changes in how it’s organized, how mobility occurs, and how people live and work are all critical to its success. Governments have to get smarter to how they work with and regulate these private companies who are actively participating in the city’s growth because the private sector is an increasingly important part of our urban life.

Mediaplanet: How important is infrastructure in facilitating a city’s prosperity? Richard Florida: Infrastructure is critical. Historically, the key factor associated with urban growth was whether infrastructure was being built that would allow the city to scale. First, we had small places bounded by a river we could walk. Then, horse-drawn carriages and street railways expanded the city peripheries. Ultimately, we developed the car and the modern post-war city is suburbia. Now, infrastructure is critical, because we’re at the next great transformation. Once you get a city to the size of Toronto, you can no longer move people around based on the car. “The city starts to break down and roads become gridlocked, so in order to scale you have to invest in subway and mass transit.”

Q&A with Richard Florida

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Historically, very few cities can make these shifts. Those that have — certainly New York and London — created the template for how growth happens before the onset of the car. In the West, it’s hard to think of a city that has overcome this inertia and built the kind of infrastructure it needs once the city and single-family home came on the scene. The only way you’re going to extend our transit and rail lines and evolve beyond the car.

Mediaplanet: What role do you think the P3 model plays in developing infrastructure projects? Richard Florida: The P3 model is the reason American cities were reborn — it’s an incredible model. The rebirthing of American cities on the runway of federal state policy, it’s all been done through local action, civic action, and these P3 models. It’s the wave of the future, and in many ways it’s more effective and efficient than current ways. Properly regulated, it can also be a more democratic way of doing things. The genius of America was its ability to invent these new models, and flexibly adapt to new conditions. We’re beholding on this in Canada, and there’s no way to re-build it. There’s such a powerful force for change and flexible adaptation — if you resist, it will just move elsewhere, and other places will capitalise on its benefits.

Mediaplanet: How can we make private companies play a role in supporting sustainability and inclusiveness? Richard Florida: It’s already happening. In Newark, the city government was bankrupt and for many years corrupt, and the city was col- lapsing. In 2005, it was modelled by corporations and local actors that created a strategy for rebuilding in an inclusive way.

It’s incumbent upon corporations to be good community partners and members of urban citizens. All of this has to be done with an eye towards environmental sustainability, openness and transparency, and inclusiveness. Those will be the gold standards that P3s are held to.