

Municipal Public-Private Partnerships: How Well Do They Work?

With Canada facing a municipal infrastructure deficit of more than \$60 billion, and the federal government increasingly favouring public-private partnerships (P3s) for infrastructure projects, the question of whether P3s can meet the needs of cities and communities has assumed growing importance.

In *Public-Private Partnerships and Municipalities: Beyond Principles, a Brief Overview of Practices*, Professor Pierre J. Hamel of Montréal's *INRS-Urbanization* looks at specific examples of municipal P3s to determine how, and how well, these projects work.

Among Professor Hamel's key conclusions are:

1. There is no evidence to suggest that P3s consistently cost less or provide better services than traditional public projects.
2. P3s do not offer municipalities a magic solution to the problem of securing additional funds for infrastructure. Only significant, sustained public investment will meet our infrastructure needs.
3. P3s give the responsibility for financing projects to the private sector, even though traditional municipal financing is simple, relatively easy, and less costly than private-sector financing.
4. P3s are normally used for the construction of new projects, which tend to be more attractive to potential private-sector investors. As a result, they do little to solve the more pressing problem of funding repairs and maintenance of existing infrastructure.

Other findings include:

- If municipalities grow too reliant on P3s, they may lose their capacity to manage public initiatives themselves, thereby limiting the range of project approaches available to local government in the future.
- Long-term P3 agreements, which often keep proprietary information out of the public domain and put the day-to-day management of public services in private hands for periods of 20 to 30 years, can reduce flexibility, transparency, and accountability for local governments.

Public-Private Partnerships and Municipalities: Beyond Principles, a Brief Overview of Practices, is an independent research paper commissioned by the Federation of Canadian Municipalities (FCM) and researched and written by Professor Pierre J. Hamel. The paper's conclusions are solely those of the author. Professor Hamel's paper is available on-line in both English and French at www.fcm.ca.

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