



News Release

For Immediate Release

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Public-private Infrastructure Projects Can Be Expensive, Auditor General Says

(TORONTO) The province is paying more for infrastructure projects delivered under public-private partnerships (Alternative Financing and Procurement) than it would be if the projects were contracted out and successfully managed by the public sector, Auditor General Bonnie Lysyk says in her *2014 Annual Report*.

“For 74 projects that were either completed or under way under Infrastructure Ontario, tangible costs, such as construction, finance and professional services, were estimated to be nearly \$8 billion higher under the Alternative Financing and Procurement (AFP) approach than they were estimated to have been if the projects had been delivered by the public sector,” Lysyk said following the release of the Report. “About \$6.5 billion of this is due to higher private-sector financing costs.”

Infrastructure Ontario estimated that this \$8-billion difference was more than offset by the risk of potential cost overruns if the construction and, in some cases, maintenance of these 74 facilities was done by the public sector.

Under AFP, the private sector initially finances construction, but, as with projects delivered by the public sector, the province ultimately pays for these projects under the terms of their long-term contracts with the private-sector companies.

As at March 31, 2014, there were almost \$23.5 billion in liabilities and commitments that current and future governments will have to pay for AFP projects. The province has also borrowed money to pay AFP contractors when projects are substantially completed. The Auditor General estimates these borrowed amounts to be an additional \$5 billion, included as part of the total public debt recorded in the Public Accounts.

Other significant findings included the following:

- Overall, value for money could probably be achieved on some projects if they were delivered directly by the public sector and had strong provisions for managing risk and provided incentives for contractors to complete projects on time and on budget.
- There was no empirical data to support the key assumptions Infrastructure Ontario uses to assign costs to specific risks, such as the potential for cost overruns if the project is built by the public sector. The agency instead relies on the judgment of external advisers to assign costs, making them hard to verify.
- Two of the risks that Infrastructure Ontario used in its assessments should not have been included; without them, public-sector delivery for 18 of these projects would have been assessed as \$350 million cheaper than delivery under AFP.

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