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Public-private partnerships in Canada: Theory and evidence

Abstract: This article develops some theory on and examines the implementation and performance of Canadian public-private partnerships (P3s). It focuses primarily on infrastructure projects and addresses three questions: 1) What goals do governments expect to achieve through P3s? 2) How effective are P3s likely to be at delivering value to governments and citizens? 3) What lessons can be derived from the use of P3s? The article reviews the government's intended social goals for P3s and evaluates how effective P3s have been in fulfilling them. It then formulates a more comprehensive framework and outlines a "positive theory" perspective of P3s that takes into account the divergent goals of the partners – profit maximization goals of private-sector participants and the political goals of the public sector. The article evaluates and summarizes the findings and implications of ten Canadian P3s. The appropriate test of success, from a social (normative) perspective, is whether P3s have lower total social costs, including production costs *and* all of the transaction costs and externalities associated with the project. The ten case studies indicate that the potential benefits of P3s are often outweighed by high contracting costs due to opportunism generated by goal conflict. These costs are particularly high when construction or operating complexity is high, revenue uncertainty (use-risk) is high, both of these risks have been transferred to the private-sector partner, and contract management effectiveness is poor. In infrastructure projects, it rarely makes sense to try to transfer large amounts of risk to the private sector.

Sommaire: Le présent article élabore une théorie et examine la mise en œuvre et la performance de partenariats des secteurs public/privé canadiens (P3). Il se penche essentiellement sur des projets d'infrastructure et aborde quatre questions : 1) quels objectifs les gouvernements prévoient-ils atteindre en ayant recours aux P3 ? 2) Dans quelle mesure les P3 seront efficaces à fournir de la valeur aux gouvernements et aux

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