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New report says city should reconsider P3 approach for Southeast LRT City's business case does not hold up to economic and public interest analysis

EDMONTON – A new report released this morning by the Parkland Institute recommends that the City of Edmonton should not proceed with a P3 approach for the building of the Southeast LRT Line, and should opt instead for either a design-bid-build or a design-build arrangement.

The report, entitled *Wrong Turn: Is a P3 the best way to expand Edmonton's LRT?*, provides a detailed analysis of the available documentation on the LRT project, particularly around questions of risk transfer, value for money calculations, and cost of financing, and finds that the P3 option serves neither the public interest nor the city's long-term economic and transportation interests.

The report was authored by University of Manitoba economics professor John Loxley, one of the country's foremost experts on public-private partnerships (P3s). In addition to the economic concerns, Loxley also raises concerns about the level of secrecy and lack of transparency by the City in the process thus far, in contradiction of important tenets of the City's own P3 policy.

Some of the key issues raised by the report include:

- comparators in the business case to other LRTs and the public sector are not valid due to significant differences in context;
- the value for money (VfM) calculations in the City's business case may be significantly over-stated, making responsible decision-making difficult;
- what value for money can be found in the business case is in operations, which raises questions about intended labour practices and their safety;
- the methodology used to calculate risk transfer in the business case is questionable, and likely results in an inflated number;
- the extra cost of private versus public financing, some \$500 million, is enough to nullify what little value for money and risk transfer advantages might be gained;
- the 30 year contract in the P3 proposal raises important issues related to loss of flexibility for the City with respect to finance and operations over the long-term; and
- the lack of transparency and accountability of the process to date has meant that even city councilors have been unable to do their due diligence.

“Based on the information we've been able to access, virtually every aspect of the City's case for proceeding with the P3 arrangement is far from convincing,” says Loxley. “City Council should either reverse its decision to build the Southeast LRT as a P3, or open up to public scrutiny all of the underlying documents and calculations in order to make clear the basis for its decision.”

Dr. Loxley will be presenting his research and findings at a public talk this evening at 7:00 pm in room 236/238 in the Telus Building on the U of A campus. All media and municipal candidates are welcome to attend

The Parkland Institute is a non-partisan public policy research institute in the Faculty of Arts at the University of Alberta. The report *Wrong Turn* is available for download on the Parkland website at <http://parklandinstitute.ca>.

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