

# 2024 Federal Budget Submission

**Submitted on:** February 7, 2024

## 1. Executive Summary

The [Canadian Council for Public-Private Partnerships](#) (CCPPP/ the Council), on behalf of its nearly 300 private and public sector members, welcomes the opportunity to submit recommendations to the Government of Canada for the Budget 2024 consultation.

The Council advocates for the use of Canada's highly adaptable **public-private partnership (P3) model to deliver resilient, innovative and quality infrastructure and services that provide significant value for taxpayers, enhance economic opportunity and improve quality of life in our communities.**

Canada has effectively utilized Public-Private Partnerships (P3s) as a key strategy to address our public infrastructure deficit, earning global recognition for our unique model. Over the past 30 years, Canadian governments have collaborated with the private sector on 300+ P3 projects valued at more than \$139 billion, covering crucial facilities such as hospitals, highways, courthouses, bridges, schools and water treatment plants.

The Government of Canada has demonstrated commendable leadership in applying the P3 model across various asset classes, exemplified by projects like the Confederation Bridge, the Energy Services Acquisition Program (ESAP)/Energy Service Modernization Project (ESM) and the Gordie Howe International Bridge. In 2022, CCPPP recognized Library and Archives Canada (LAC) for its cutting-edge Preservation Storage Facility, part of the Gatineau 2 project. This P3 initiative is the first net-zero carbon archival preservation building in the Americas, setting a global benchmark.

While the Council acknowledges the Government of Canada's efforts to attract private sector investment and utilize partnership models, notably through the Canada Infrastructure Bank (CIB), it urges additional initiatives to sustain Canada's leadership and

infrastructure investment environment. To support the development of Budget 2024, the Council recommends the following:

- **Recommendation 1:** Move forward with *National Infrastructure Assessment* recommendations.
- **Recommendation 2:** Commit to a funding framework for predictable next-generation infrastructure that incentivizes provinces, territories, municipalities and Indigenous communities to consider alternative finance models, including P3s, to support housing development and community-enabling infrastructure.
- **Recommendation 3:** Evolve procurement approaches to ensure incorporation of leading practices, early engagement with private-sector proponents, fostering a reliable solutions-oriented procurement environment.

In the current economic climate, Canadian governments must redefine financing and procurement for major projects, **ensuring infrastructure meets immediate and long-term economic and social needs while maximizing the benefits to be received on the expenditure of public funds.**

Public-private partnerships, including progressive models, alternative financing, concession methods, and pension fund investment strategies, offer tangible solutions beyond traditional design-build approaches. These strategies use a holistic approach to asset management, considering the entire life cycle of a project and enable governments to plan long term. In turn, strong, stable project pipelines are created, which attract greater private sector interest, create jobs and, most importantly, deliver infrastructure Canadians deserve and on which they depend. When employed appropriately, the model is a valuable tool for mitigating the expanding infrastructure gap.

We invite you to visit our website to learn more about the Council's mandate and mission at <https://www.pppcouncil.ca>

## 2. CCPPP 2024 Budget Recommendations

**Recommendation 1: Move forward with *National Infrastructure Assessment* recommendations.**

The Council welcomed the opportunity to provide a detailed response<sup>1</sup> to help shape our nation's first-ever National Infrastructure Assessment. Despite the release of key recommendations in July 2021, no subsequent action has been taken. The Council urges the government to revisit and move forward with assessing Canada's infrastructure needs, using an evidence-based, expert-driven approach emphasizing robust, longer-term planning.

Since 2021, the country has suffered significant weather-related issues that have damaged key community and economic infrastructure. Our population also reached a record high of 40.5 million in 2023, and most governments, especially those at the municipal level, are struggling with significant budget shortfalls and growing debts due to lingering issues from the pandemic, including labour shortfalls, interest rates and ballooning material costs. Another aggravating factor is the significant investment by the U.S. government (\$1 trillion and counting) for American infrastructure, including transportation, broadband and utilities, competing with our country's infrastructure-related initiatives, both publicly and privately funded.

*Moving forward with the National Infrastructure Assessment recommendations is key to Canada's future*

The Council strongly encourages the Government of Canada to actively explore and build upon the report's recommendations, which include greater private-sector investment in Canadian infrastructure. CCPPP's members also support the creation of an independent infrastructure advisory body to help guide the government in its decision-making. By tapping the expertise of the Council's public and private sector members, the government will benefit from more diverse perspectives, experiences and expertise.

**Key Considerations:**

The Council and its members have strong and informed views based on their vast array of experience on "how" to get projects done and where improvements are possible, and recommend the Government of Canada consider the following:

- **Resilient and Sustainable Design:** Emphasize infrastructure's long-term resilience and sustainability, incorporating green practices in materials, construction and technology. P3 projects, like the Tłıchǫ All-Season Highway, exemplify climate-conscious planning. Governments must consider life cycle costs and focus on

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<sup>1</sup> [The Canadian Council for Public-Private Partnerships response to the National Infrastructure Assessment, June 2021](#)

innovative, energy-efficient designs. The federal government should explore P3 best practices for improved life cycle performance.

- **Comprehensive Project Pipeline:** The Council reiterates its support for the Government of Canada's commitment to create a consistent project pipeline, benefiting procurement authorities and facilitating strategic resource deployment. This approach enables effective planning for the private sector and ensures consistent updates on federal projects, fostering better coordination and strategy development. This is particularly important given the current labour shortages and the number of mega projects in Canada's market. The Council encourages nationwide project tracking to enhance coordination and would support its dissemination to members.

**Recommendation 2: Commit to a funding framework for predictable next-generation infrastructure that incentivizes provinces, territories, municipalities and Indigenous communities to evaluate the appropriateness of alternative finance models, including P3s, to support housing development and community-enabling infrastructure.**

In May 2023, the federal government committed to unveiling a long-term infrastructure plan during the Federation of Canadian Municipalities Annual Conference in May 2023. As of January 2024, the federal government has not yet announced the next phase of the \$33-billion *Investing in Canada Infrastructure Program*, which was fully allocated by March 2023.

***Fulfil Commitment in Budget 2024***

The Council urges the federal government to fulfill its commitment to unveil a long-term infrastructure plan in Budget 2024. A sustained federal funding program is vital for provinces, territories, municipalities and Indigenous communities to access capital, especially amidst ballooning deferred maintenance gaps and a housing crisis. Encouraging alternative financing options, such as P3s, can deliver essential infrastructure and long-term value for communities while stretching taxpayer dollars further.

***Leverage the P3 Model's Success***

The Council believes the 30+ year success of the P3 model across Canada offers important lessons and case studies on how the model can help de-risk projects for communities over the long term. The next generation of funding should encourage receiving governments to consider the whole life cycle of assets, looking beyond construction costs to budgeting for the long-term operation and maintenance of that asset for decades to come. Greenlit projects should also enable innovation, embrace private capital and expertise and

maximize taxpayer value by choosing delivery models that allocate risk transfer to the party best suited to manage it.

### **Strategic Deployment of Funding to Enable Community Growth**

Acknowledging the diverse infrastructure needs and limits on public funds, the Council recommends strategic funding deployment. Future programming should focus on community-enabling infrastructure, supporting the construction of roads, bridges, water, wastewater, and transit – all foundational assets to support housing development.

### **Key Considerations:**

The Council recommends the Government of Canada consider the following:

- **Alternative Finance/P3 Guidance for Municipalities and Indigenous Communities:** Despite the dissolution of the P3 Canada Fund, valuable guidance tools exist within Infrastructure Canada and the Council's public and private sector members. The Council recommends reintroducing and updating guidance tools for municipalities and Indigenous communities to support standardized approaches and make the analysis of procurement options more accessible. To help support this work, the Council has created a Municipal Engagement Advisory Group (MEAG) to explore existing challenges and opportunities in procuring and delivering large, complex infrastructure. Through MEAG, the Council would welcome the opportunity to work with the government and key municipal and Indigenous community stakeholders to create a new suite of tools.
- **National Indigenous Loan Guarantee:** The Council strongly supports the Government of Canada's commitment to establish a *National Indigenous Loan Guarantee* program in Budget 2024, as outlined in FES 2023. Combined with a next-generation funding program, this initiative is a crucial tool enabling greater Indigenous participation in major infrastructure projects, including P3s, providing essential revenue streams for community needs. By overcoming the primary barrier of affordable capital access, the Council believes this initiative will empower Indigenous communities, promote sustainable development and ensure equitable access to critical infrastructure resources.
- **Unlock Long-Term Benefits of Full Life Cycle Consideration:** P3 projects ensure municipalities and Indigenous communities are examining a project's full life cycle cost over a three-decade operating period rather than focusing solely on the cost of constructing the asset. The value of a long-term DBFOM contract means ongoing maintenance and operations costs are considered and protected against budget

cuts, ensuring a longer life for assets and a better-quality experience for community members who depend on the asset.

- **Enable P3 Project Bundling:** P3 bundling presents an opportunity to reduce costs, transfer risk, expedite delivery and secure ongoing funding for operations and maintenance by ensuring the economies of scale to attract the private sector for municipalities and Indigenous communities. There are many successful examples of this approach, which the Council is happy to provide.

**Recommendation 3: Evolve procurement approaches to ensure incorporation of leading practices, early engagement with private-sector proponents, fostering a reliable solutions-oriented procurement environment.**

Market certainty is a significant factor in ensuring the ongoing success of major Canadian infrastructure projects at all levels of government. Recent notable P3 project cancellations after governments issued procurement documents, such as the 599 Tremblay Road redevelopment in Ottawa and the Deerfoot Trail in Calgary, have created a chill in the market. These cancellations have cost teams in Canada both time and money and taken them away from chasing other opportunities in communities across the country. More importantly, it can lead to an erosion of trust and reduced competition in these markets. The Council strongly urges the federal government, both as procurer and funder of infrastructure and as a leader to other levels of government, to pursue clear, predictable and reliable procurement processes to ensure competition remains robust and Canadians derive the best value for their tax dollar investments.

***Early engagement with the private sector***

A way to help achieve this clarity and drive competition is to modernize procurement practices to ensure the integration of private sector expertise before government procurers select asset solutions with the introduction of Progressive P3 procurement strategies adopted in Ontario and federally, with the notable example of the VIA High-Frequency Rail (HFR) project. While Progressive P3 strategies show promise, the traditional P3 model retains merit for various asset classes.

**Key Considerations:**

The Council recommends the Government of Canada consider the following for federally procured projects:

- **Centralized Hub for Federal P3s and Major Projects:** The dissolution of PPP Canada and removal of the Federal P3 Screen left the federal government without a centralized hub for overseeing P3s and major projects. This absence hinders

knowledge transfer among project groups and complicates private sector readiness. Establishing a dedicated center for federal P3s and major projects is a global best practice, offering stability in procurement processes, streamlined documentation, and governance approaches. A centralized unit ensures top-tier procurements, attracts private sector investment, fosters competition, shares best practices and delivers value for Canadians.

- **Evaluation Criteria:** Revisit established criteria in procurement processes to facilitate the entry of new players into the market. Consider incorporating technical evaluations to avoid the lowest cost being the determining factor, creating a "race to the bottom" mentality among contractors and developers.
- **Cost Estimates:** Address concerns about outdated cost estimates during procurement. Regardless of the model used, starting the procurement process with accurate and current cost estimates is essential to build trust and avoid potential issues later.
- **Mitigate Market Risks:** P3 models utilizing private capital require upfront discussions on risk transfer, emphasizing the need for thorough due diligence in managing these risks. To foster successful P3 and other alternative finance initiatives, the Council recommends a focus on transparent pricing, realistic affordability, clear model selection, competitive procurement, explicit contractual agreements outlining risk allocation, and the implementation of robust monitoring and adjustment mechanisms throughout the project life cycle.
- **Dispute Resolution:** Research shows that projects placing partnerships at the forefront of P3s can achieve the greatest success. Project agreements must, therefore, incorporate suitable dispute resolution processes and facilitate opportunities for collaboration between the public and private sectors to address challenges. The Energy Services Acquisition Program (ESAP)/Energy Service Modernization (ESM) Project<sup>2</sup> offers a good example. The Council recommends that the federal government review all existing contracts to ensure dispute resolution is captured to avoid unnecessary litigation.
- **Commercial Structure:** Develop a commercial structure considering private sector needs early in procurement, ensuring finance ability through banks or debt capital markets.
- **Advisors with Infrastructure Experience:** Retain advisors with infrastructure expertise in finance and procurement.
- **Transparent Engagement with the Private Sector:** Engage with the private sector transparently and informally before the formal release of RFQ and RFP documentation to address concerns and gauge feedback.

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<sup>2</sup> [ESAP Awards Case Study: Modernizing Energy Services for Canada's National Capital Region](#)

## In Conclusion

On behalf of the Council and its Board of Directors, thank you in advance for consideration of these recommendations.

The Council looks forward to expanding our close working relationship with Infrastructure Canada and Canada Infrastructure Bank (CIB) officials. We are committed to providing support by sharing P3 procurement best practices and working collaboratively to modernize approaches, delivering critical infrastructure that fosters competition, maximizes private capital, and ensures proper risk transfer to protect taxpayers.

If you have any questions or would like to explore these recommendations further, Council staff and membership are available at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Lisa Mitchell'.

Lisa Mitchell  
President and CEO  
The Canadian Council for Public-Private Partnerships (CCPPP)