



The Canadian Council for
Public-Private Partnerships

Le Conseil Canadien pour
les Partenariats Public-Privé

2024 Ontario Budget Submission

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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 Ontario 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.**

The Council recognizes that Ontario has a long history of leadership in P3 procurement. The Province has strategically utilized P3s for larger and more complex infrastructure projects, recognizing the benefits that partnering with the private sector can bring in serving the best interests of the people of Ontario. The Council continues to commend Infrastructure Ontario for its leadership and agility in finding creative solutions to meet the Province's infrastructure delivery demands.

In addition, the Council welcomes the Ontario government's ongoing commitment to exploring innovative solutions to address the acute infrastructure gap in the Province and to continuing to consider how the private sector can play a more significant role in the delivery of projects. Moreover, the Council remains interested in understanding the government's recently established arm's-length Ontario Infrastructure Bank, its mandate to facilitate major projects, and how it will coordinate with Infrastructure Ontario and the Canada Infrastructure Bank and engage the industry to develop a pipeline of projects.

Ontario's expanding population continues to stress-test the province's capacity to deliver infrastructure assets that meet the long-term needs of the public, compounded by the challenges of the housing crisis. The Council maintains that the most effective approach

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to filling the infrastructure gap and executing complex public infrastructure projects that maximize value to taxpayers is by selecting delivery models that appropriately allocate risk transfer to the party best suited to manage it, involving consideration of the whole life cycle of the asset, fostering innovation and efficiencies, and leveraging private capital and expertise.

To that end, the Council has taken the opportunity to reflect on a series of key considerations (outlined in more detail in **Section 3** of this submission) recommended to the Government of Ontario for implementation through Budget 2024, including:

- **Recommendation 1:** That the Government of Ontario continues to leverage P3 procurement approaches that have a proven track record while fostering a solutions-oriented procurement environment.
- **Recommendation 2:** That the Government of Ontario evaluates the potential for P3 project bundling to maximize value to taxpayers and better manage risks.
- **Recommendation 3:** That the Government of Ontario supports municipalities and Indigenous communities in considering and applying P3s, where appropriate, to unlock the long-term benefits of the model and maximize infrastructure funding.

The P3 Opportunity in Ontario

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 short-term fixes. 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 the infrastructure Canadians deserve and on which they depend. When employed appropriately, the model is a valuable tool for mitigating the expanding infrastructure gap in growing urban and suburban centers, rural towns, and Indigenous communities.

Since its introduction to the Canadian market more than three decades ago, the P3 model has evolved and adapted, diversifying its application to differing asset classes, onboarding new partners, and integrating innovations to meet the unique needs of various jurisdictions across the country, including of course Ontario.

P3s have a proven track record in Canada and globally, and at the heart of the public-private partnership model is value for taxpayers. As the model continues to evolve, it provides tremendous opportunities to **deliver resilient, innovative, and high-quality infrastructure and services that enhance economic opportunities and the quality of life in Canadian communities for today and the long term.**

2. Background on CCPPP

Established in 1993, CCPPP is a national not-for-profit, non-partisan, member-based organization with broad representation from across the public and private sectors – representing all facets of the industry from architects and engineers, developers and contractors, operators and maintenance providers to legal, financial, and technical advisors.

The Council’s mandate is to collaborate with all levels of government, Indigenous communities and the private sector to enable innovative, sustainable approaches to developing, constructing, maintaining and operating infrastructure that achieve the best outcomes and enhanced quality of life for Canadians.

The Council advocates for evidence-based public policy in support of P3s, facilitates the adoption of international best practices, and educates stakeholders and the community on the economic and social benefits of public-private partnerships.

Our Mission

To shape the future of Canada’s infrastructure and services by delivering value to Canadians through public-private partnerships (P3s).

The Canadian Council for Public-Private Partnerships is committed to the advancement of public-private partnership models through:

- Convening both public and private market participants to discuss leading practices and harness lessons learned and adapting the model as needed,
- Advocating for the use of public-private partnership models, where appropriate, to build a sustained pipeline of projects across the country, and
- Conducting research to support evidence-based decision making and demonstrate the benefits of the model.

The Council will advocate for procurement models to deliver infrastructure and services to Canadians that provide efficient solutions to public sector objectives, provide value to taxpayers, and encompass each of the following four essential attributes of most effective P3s:

- Allocate the appropriate risk transfer to the party best suited to manage it,
- Consider the whole life cycle of the asset,
- Drive innovation and efficiencies, and
- Leverage private capital and expertise

The Council will first and foremost support the long-term alignment of incentives through the inclusion of private capital, given its demonstrated effectiveness as a tool to achieve desired outcomes. It will also continue to work with the broader partnership-model community to advance areas of common interest.

3. CCPPP 2024 Budget Recommendations

Recommendation 1: That the Government of Ontario continues to leverage P3 procurement approaches that have a proven track record while ensuring early engagement with private-sector proponents, fostering a solutions-oriented procurement environment.

Ontario has a well-established P3 model with a proven track record that should continue to be leveraged where suitable, including using the successful Design-Build-Finance-Maintain (DBFM) and Design-Build-Finance-Operate and Maintain (DBFOM) models for highways and smaller transit projects. The DBFM/DBFOM models should be preserved and utilized in the appropriate circumstances and not abandoned.

The Council applauds Ontario's leadership in the evolution of the model and its agility in thinking creatively about how to address the infrastructure challenges of the day to ensure the construction and long-term maintenance of larger, more complex projects. A notable example of this approach is the Ottawa Hospital Civic Campus Redevelopment Project, where the progressive model has demonstrated tremendous promise. While there is a significant opportunity and benefit in revamping procurement practices to ensure the integration of private sector expertise before government procurers select asset solutions, the Council maintains that the P3 models that have historically been applied in the Province still have much merit.

More generally, concerning procurement practices, the Council has observed and is of the firm view that enhancing transparency and modernizing procurement approaches for

major projects, encouraging early engagement with private sector proponents, promoting competition, cultivating a pipeline of market-ready projects, sharing best practices, and prioritizing quality infrastructure solutions will foster a solutions-oriented delivery environment.

Key Considerations:

The Council recommends that the Government of Ontario consider the following:

- **Evaluation Criteria:** Revisit established criteria in procurement processes to facilitate the entry of new players into the market. Consider incorporating technical evaluations to move away from the lowest cost being the determining factor, which creates a "race to the bottom" mentality among contractors and developers.
- **Transparency:** Transparency in project details, contracts and plans is a significant driver for private partners. Limited workforce capacity underscores the importance of transparent communication. Owners who demonstrate flexibility and listen to private partners during the initial phase will likely attract more bids and deliver better results.
- **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.
- **Mitigating 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 and explicit contractual agreements outlining risk allocation, along with implementing 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. As a result, the Council recommends that the Province review its current contracts and take proper steps to avoid unnecessary litigation prompts.

Recommendation 2: That the Government of Ontario evaluate the potential for P3 project bundling to maximize value and improve risk management.

Building on the Province’s success with P3 bundles for the **Ontario Provincial Police Modernization Project** and the **Ontario On-Route Public Service Area**, the Council recommends exploring additional bundling opportunities to support the Government’s commitment to accelerate the construction of modern schools and to support the procurement of other asset classes, such as water, wastewater and bridges, which are community-enabling infrastructure essential to supporting housing construction.

Bundling, when incorporated into a single procurement, enables a beneficial P3 structure for similar assets across multiple sites, different assets at a single site, or diverse assets across multiple sites. For municipalities and Indigenous communities struggling to meet the infrastructure demands of growing populations, 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.

Key Considerations:

The Council recommends that the Government of Ontario consider the following:

- **Economies of Scale:** P3s are most attractive for large, complex projects. While there is no specific capital cost threshold for a P3, smaller projects may fail to realize P3 benefits due to high transaction costs relative to overall value and less interest from market-leading consortia. In P3s, project bundling offers cost advantages through economies of scale, lowering design, construction, operation, and maintenance expenses.
- **Risk Mitigation:** Distribute risks among stakeholders for more predictable project outcomes.
- **Private Investor Attraction:** Attract private investors by bundling larger projects, fostering competition and favourable financing terms.
- **Innovative Solutions:** Attract innovative solutions and technologies through bundled projects, allowing the public sector to focus on core functions.
- **Enhanced Project Management and Delivery:** Improve project management, communication, and oversight through bundled P3 projects.
- **Life Cycle Cost Consideration:** Optimize decision making for design, construction, and maintenance by considering life cycle costs.

Project Bundling Examples:

There are multiple examples of successful bundled P3 projects spanning large geographical areas, including:

- **Alberta P3 Schools Project:** Design-Build-Finance five new high schools in Blackfalds, Langdon, Leduc and Edmonton, where two will be located, to support approximately 7,000 students.
- **New York Thruway Authority Service Centers, United States:** Covered 27 service areas from New York City to Buffalo. This phased implementation brownfield refurbishment project was procured as a P3 Design-Build-Finance-Operate and Maintain contract.
- **North Commuter Parkway, Saskatchewan:** Two unrelated bridge projects were delivered under a single contract to gain significant economies of scale.
- **Saskatchewan Joint Youth Schools:** Design and construction of nine schools, procured under a P3 full Design-Build-Finance-Operate and Maintain contract.
- **SRO Housing:** Renovation of 13 hotels in various locations in Vancouver procured under a P3 Design-Build-Finance-Maintain model.
- **Pennsylvania Department of Transportation (PennDOT), United States:** Initiated two procurement bundles for bridges with similar underlying objectives. Phase One, the Pennsylvania DOT Rapid Bridge Replacement P3 Program, focused on 558 smaller bridges, including culverts across the state. In Phase Two, the Pennsylvania DOT Progressive Design-Build-Finance-Operate and Maintain P3 Project involved the replacement of nine major highway bridges throughout the entire state.

Recommendation 3: The Government of Ontario supports municipalities and Indigenous communities in considering and applying P3s, where appropriate, to unlock the long-term benefits of the model and maximize infrastructure funding.

Facing ballooning deferred maintenance gaps, ever growing needs and lack of funding, municipalities should be encouraged and supported to explore alternative financing options to deliver essential infrastructure and greater, longer-term value for their communities.

The Council believes the 30+ year success of the P3 model across Canada offers important options and case studies on how the model can help de-risk projects for municipalities and Indigenous communities over the long term by harnessing the expertise of the private sector in existing and emerging asset classes of interest (water and wastewater, district

energy, housing, bridges, etc.) and the additional oversight of investors while supporting internal capacity issues.

In particular, the use of the model will ensure municipalities and Indigenous communities are examining the full life cycle cost of a project over a three-decade operating period rather than focus solely on the cost of constructing the asset. The value of a long-term Design-Build-Finance-Operate and Maintain 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.

Many municipalities are already doing this work; some have P3 policies in place; and several are actively engaged with the Council through our Municipal Engagement Advisory Group (MEAG) to explore existing challenges and opportunities in procuring and delivering large, complex infrastructure projects.

Key Considerations:

The Council recommends that the Government of Ontario consider the following:

- **Support Communities with P3 Guidance:** The P3 model prioritizes long-term thinking and post-construction cost understanding, ensuring robust municipal infrastructure for increased longevity. The dissolved P3 Canada Fund, formerly under PPP Canada, spent a great deal of time developing guidance tools for municipalities. Despite the Crown corporation's dissolution, this knowledge remains within Infrastructure Ontario, Infrastructure Canada, and the Council's private sector members, MEAG advisors, and industry partners. The Council recommends that the province re-introduce guidance tools, such as procurement options analysis for municipalities, to help them understand the viability and appropriateness of the model for a given project. 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 to support standardized approaches and analysis to determine procurement options.
- **P3 Project Bundling to Maximize Value and Improve Risk Management:** For municipalities and Indigenous communities struggling to meet the infrastructure demands of growing populations, 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.

4. In Conclusion

On behalf of the Council and its Board of Directors, thank you in advance for consideration of these recommendations. As an industry, we appreciate your government's commitment to public-private partnerships (P3s) as a necessary tool in delivering Ontario's infrastructure agenda.

The Council represents the leading private construction, engineering, legal, advisory firms, banks and financiers, and operators and facilities maintenance firms working hard to build Ontario's public infrastructure, including municipal infrastructure from roads and transit to water and wastewater to schools and social housing, hospitals and long-term care facilities and energy projects.

The Council looks forward to expanding our close working relationship with Infrastructure Ontario officials, who are doing excellent work ensuring the highest standards of P3 procurement are met and advancing a progressive P3 model that continues to foster competition, innovation, and proper risk transfer to protect taxpayers. Furthermore, our members welcome the opportunity to collaborate with the Ontario Infrastructure Bank to share industry insights and inform the development of a pipeline of infrastructure projects that will improve the quality of life of Ontario communities.

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)