



The Canadian Council for  
Public-Private Partnerships

Le Conseil Canadien pour  
les Partenariats Public-Privé

# 2024 Government of Manitoba Budget Submission

**Submitted on:** March 1, 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 Manitoba for the Budget 2024 consultation and look forward to the opportunity to speak to these recommendations with Minister Sala for our upcoming meeting scheduled for March 20, 2024.

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. **In many instances, P3 project investments have been made to strengthen and support Canadian workers' retirement security including, among others, trade union pension plans for the benefit of those who have been instrumental in building the public infrastructure.**

Since its introduction to the Canadian market over three decades ago, the P3 infrastructure model has evolved and adapted, diversifying asset classes, onboarding new partners, and integrating innovations. The 'made in Canada' approach to P3s is globally acclaimed yet still faces misinformation challenges in certain Canadian jurisdictions.

Manitobans have benefited from the model, including two successful projects: the [Chief Peguis Trail Extension](#) and the award-winning [Southwest Transitway – Stage 2 and Pembina Highway Underpass Project](#), improving day-to-day quality of life and access to community services.

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Our members, who represent the leading construction, engineering, legal, advisory firms, banks and financiers, and operators and facilities maintenance firms, are keen to engage constructively with your government, offering their expertise and experience to help inform the development of the new *P3 Accountability Legislation* to protect public infrastructure assets and, in particular, schools.

P3s, when deployed in the right context and when taking the whole lifecycle of an asset into account, have a demonstrated track record across Canada and globally in supporting the delivery of much-needed, large-scale public infrastructure. At the heart of the P3 model is the value for taxpayers in providing and planning for efficient and effective long-term operations and maintenance of valuable public infrastructure assets.

We believe the most effective way to deliver quality public infrastructure is by choosing delivery models that 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.

To that end, the Council has taken the opportunity to reflect on a series of key considerations (outlined in more detail in Section 2 of this submission) recommended to the Government of Manitoba for implementation through Budget 2024:

- **Recommendation 1:** The Council strongly recommends that the Government of Manitoba reassess its stance on P3 school bundling. It is imperative for the government to gain a deeper understanding of P3s, particularly the advantages of private capital at risk in performance-based contracts and the benefits of amortizing the province's investment in the project over the life of the project, which ultimately serve the best interests of the province.
- **Recommendation 2:** The Government of Manitoba must proactively consult industry and leverage Canadian jurisdictional best practices to develop robust *P3 Accountability Legislation*.

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 method 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 lifecycle 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: The Council strongly recommends that the Government of Manitoba reassess its stance on P3 school bundling. It is imperative for the government to gain a deeper understanding of P3s, particularly the advantages of private capital at risk in performance-based contracts and the benefits of amortizing the province's investment in the project over the life of the project, which ultimately serves the best interests of the province.**

The Council commends the Government's commitment to improving facilities for education, recognizing the necessity of long-term access to safe, inclusive, and modern public-school infrastructure, especially after navigating the unpredictability of pandemic-related school closures.

For this reason, the Council urges the Government of Manitoba to reconsider its opposition to P3 school bundling. It is imperative for the government to gain a deeper understanding of P3s, particularly the advantages of private capital at risk in performance-based contracts and the benefits of amortizing the province's investment in the project over the life of the project, which ultimately serves the best interests of the province.

A P3 procurement model is also the *only* procurement option that will allow the Government of Manitoba to stagger its repayments for the infrastructure over a multi-decade horizon, which Premier Kinew has stated is the government's preference. A P3 approach will allow the government to make use of private finance under the Design-Build-Finance and Maintain model will optimize taxpayer dollars even further and reap other well-documented benefits. Under this type of P3 agreement, the private sector would be responsible for raising the capital for the project, with the government repaying the companies involved in the consortium over the long term under a fixed-price contract.

As an example, [Alberta's P3 Schools Bundle #2](#) project proceeded under a DBFM model to construct five state-of-the-art high schools. Staggered groundbreakings started in September 2021, with the schools expected to reach substantial completion in May 2024. The total project cost is \$300.3 million, with the private sector consortium providing 100% of the equity capital for the transaction. During construction, the government is providing partial funding (approximately \$108 million) for the schools. Availability payments will be made during the operations and maintenance period.

### **Key Considerations:**

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

- **Bundling Maximizes Value and Improves Risk Management:** Bundling, when integrated into a single procurement process, enables a beneficial P3 structure across multiple sites,

presenting an opportunity to reduce costs, transfer risk, expedite delivery and secure ongoing funding for operations and maintenance.

- **Canadian Companies' Proven Track Record in P3s:** Canadian companies are globally recognized for their expertise and best practices in Public-Private Partnerships (P3s), including the delivery of P3 school bundles both domestically and internationally. Recently, Canadian companies outperformed competitors in the United States, delivering schools and demonstrating the benefits of the P3 model in constructing much-needed schools quickly and ensuring long-term operational efficiency, allowing educators to focus on children's education. By drawing on Canadian learnings from successful examples such as the P3 Schools Bundle #2 project in Alberta, and the opening of [six new schools in Prince George's County, Maryland](#), under an innovative P3 school bundle involving Canadian expertise, Manitoba can capitalize on private sector proficiency and investment to accelerate the delivery of public school infrastructure.
- **Value for Taxpayer Dollars:** P3 projects offer financial advantages, spreading capital costs over the long term and potentially yielding significant cost savings compared to traditional procurement methods, achieving the optimal balance between the cost of the project and the benefits it delivers over its entire lifecycle. As stated in Recommendation 1 of this submission, P3s present greater financial due diligence by quantifying risks across the entire lifecycle of a project, offering more detailed financial transparency and allowing governments to amortize the cost of an asset over its useful life. These risks are often not quantified in traditional government procurements, making P3s crucial for ensuring Value-for-Money.
- **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, therefore, attract less interest from market-leading consortia. In P3s, project bundling offers cost advantages through economies of scale by aggregate design, construction, operation, and maintenance costs in the aggregate.
- **Improved Competition and Local Contractor Involvement:** Industry anticipated the P3 school bundle in Manitoba to be a highly competitive procurement process, which is expected to yield favourable pricing outcomes if pursued. Notably, Canadian companies with a presence in Manitoba are anticipated to be among the bidders, presenting a significant opportunity to generate employment and economic benefit within the Province.
- **Better Timelines for Delivery:** The urgency of addressing critical infrastructure demands necessitates adopting P3 models across asset classes, which is particularly the case if the Government of Manitoba intends to meet the originally promised delivery timeline for eight schools by September 2027. Traditional procurement methods are unlikely to meet this deadline.

**Recommendation 2: The Government of Manitoba must proactively consult industry and leverage Canadian jurisdictional best practices to develop robust P3 Accountability Legislation.**

CCPPP supports the Government of Manitoba's proposal to create *P3 Accountability Legislation* to protect public assets, taxpayer dollars and the competitive procurement process.

When designed in good faith, balanced and fair, in consultation with industry, legislation that considers the unique characteristics of P3s can optimize the advantages of the model while protecting public interests, financial resources and infrastructure assets. It can also be a catalyst to ensure P3 projects are able to do what they do best. Unlike traditional procurement approaches, the public sector integrates multiple parts of a project into one contract that:

- Allocates the appropriate risk transfer to the partner best suited to manage it,
- Considers the whole lifecycle of the asset,
- Drives innovation and efficiencies, and
- Leverages private capital and expertise.

**Key Considerations:**

The Council and its members have strong and informed views based on their vast experience on how to execute P3 projects accountably and effectively and recommend the Government of Manitoba incorporate the following considerations as part of its *P3 Accountability Legislation* criteria:

- **Bid Evaluation Criteria:** Ensure procurement criteria facilitate the entry of new players into the market, including local companies (construction, engineering, legal, etc.), and consider incorporating technical evaluations to avoid prioritizing the lowest cost, which can lead to a "race to the bottom" mentality among contractors and developers.
- **Transparency Requirements:** 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. The Council recommends that the legislation include clear guidelines and reporting requirements to enhance transparency in public-private partnerships, thereby fostering trust. This should also encompass guidelines for public communication, aimed at strengthening public trust during project delivery through transparent communication emphasizing the project's value, benefits, progress, and challenges, while maintaining the social license for current and future initiatives. Additionally, it is essential to facilitate meaningful stakeholder engagement throughout the project lifecycle to promote collaboration and address community concerns.
- **Value for Money Analysis:** Implement a requirement for a Value for Money (VFM) assessment that includes quantifying risks across the entire lifecycle of an asset, including operations and maintenance costs, to determine the most suitable procurement model. By

quantifying risks through expert workshops and economic simulations, the Government is adding an extra layer of financial due diligence and transparency.

- **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 lifecycle.
- **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.
- **Effective Governance:** Establish frameworks for collective decision-making and accountability characterized by clear terms of reference, structured processes and decision-making bodies, ensuring continuity and clarity in project management.
- **Enhanced Contract Management:** Managing P3 contracts requires additional resources for the private sector and the public sector to ensure accountability, flexibility, and productive relationships. This involves a solid performance foundation from the private sector and public sector judgment in incentivizing performance improvements. Despite budget challenges, under-resourcing such complex contracts is risky. Public authorities must actively oversee P3 contracts, ensuring performance and compliance through audits. Government departments should provide centralized support, aiding contract management for consistency, dispute reduction, and information sharing among networks. For this, we can look to recent recommendations that have come out of the UK's [White Fraiser Report - Private Finance Initiative sector](#) report.

### 3. In Conclusion

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

Manitoba, like many Canadian provinces, grapples with the challenge of balancing its budget while investing in critical infrastructure, particularly schools, essential for economic growth and community well-being. Exploring innovative financing mechanisms such as P3s will maximize the reach of taxpayer dollars and unlock various benefits while protecting public infrastructure.

We urge the Government of Manitoba to proceed with the schools' Request for Proposals (RFP) while it works to develop its *P3 Accountability Legislation* to meet the original construction deadline. This approach will foster a competitive procurement process and maintain trust among all stakeholders in the Canadian infrastructure industry who are working hard to build Manitoba's public infrastructure for the benefit of the community residents who rely on it.

The Council and our members welcome the opportunity to work collaboratively with the Government of Manitoba to explore how we can support your government's *P3 Accountability Legislation* and infrastructure objectives, share recent data findings and address any concerns or questions you may have.

Sincerely,

A handwritten signature in black ink that reads "Lisa Mitchell". The signature is written in a cursive, flowing style.

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