



For the Record

Ontario Infrastructure Minister Announces New Infrastructure Agency & Financing Method

Background: *At a Council-sponsored event on May 25, 2004, The Hon. David Caplan, Ontario Minister of Public Infrastructure Renewal, discussed what the government was contemplating in order to deal with the province's infrastructure deficit. In July, it released a policy framework entitled "Building a Better Tomorrow - Infrastructure Planning, Financing and Procurement Framework for Ontario's Public Sector". The framework had been the subject of public consultation sessions and also received submissions from stakeholder groups, including The Canadian Council for Public-Private Partnerships.*

Today: *At a Toronto Board of Trade luncheon on May 9, 2005, Minister Caplan announced a key component of bringing the framework to fruition - the Ontario Infrastructure Projects Corporation (OIPC) - as well as a focus on "alternative financing and procurement", which is believed to include public-private partnerships. The following is a synopsis of his speech.*

The Minister's comments focussed on four main themes:

1. The government intends to strengthen the economy and improve quality of life by investing in people.
2. Public infrastructure is essential to that plan.
3. We need to move quickly to address the infrastructure deficit and find new partners to leverage investments and expertise.
4. All public infrastructure projects will be guided by five key principles: public interest is paramount; accountability; appropriate public ownership or control; value for money; fair, transparent and efficient processes.

But the Minister acknowledged that there are three challenges in moving ahead with infrastructure renewal:

- Infrastructure like water pipes, highways, schools and hospitals is in severe decline.
- New infrastructure is required to

accommodate a growing and aging population, especially in the Golden Horseshoe around Toronto.

- The money is not available from taxpayers.

Along with coordinating infrastructure investments by all public sector partners and using a long-term planning approach (the Minister is expected to announce his long-awaited five-year plan in the coming weeks), Minister Caplan said "We need capital from other sources, from other sectors and from other partners." In what he termed "Alternative Finance and Procurement," the Minister described a technique for encouraging private sector investment in public facilities and then paying it off over the life of the asset, much like mortgage payments. He pointed to programs in British Columbia, the UK, Australia and New Zealand. A design-build-finance-operate model would be included in this approach, he later added.

Minister Caplan mentioned two recent Canadian pension fund investments in

other countries, which he said "could have been made here in Ontario, to benefit Ontarians." Why weren't they? "We have not created the opportunities," he noted.

In what he acknowledged was a controversial statement, Minister Caplan emphasized that his government intends to "vigorously pursue opportunities with the private sector in the delivery and financing of public infrastructure." He

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cautioned that this is not the privatization of public services, but rather a strategy to finance and build more public infrastructure faster.

The Minister pointed out that public projects in the past have experienced serious cost overruns and time delays, but alternative financing and procurement (AFP) strategies are one way to ensure

this does not happen. He added: "AFP strategies will allow us to do far more in the next few years than we have done in the past - and do it on time and on budget."

To deliver AFP, Minister Caplan announced the Ontario Infrastructure Projects Corporation, which will support ministries, municipalities and the broader public sector in their transactions with the private sector. He noted "The OIPC will oversee new, large, alternatively financed infrastructure projects" and will report to the Minister of Public Infrastructure Renewal. The agency will also be responsible for attracting new sources of capital nationally and internationally,

to supplement government investments.

In a strongly worded message to the private sector, he stated: "I want to be clear about this. The choice is not between building the infrastructure we need using the traditional method or building it

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When asked about what size project the Minister would consider under the AFP model, he said that there is no "one size fits all" for every sector, which must each be treated differently. He surmised that just like the Private Finance Initiative in the UK, the best model for each sector will continue to evolve over time.

In conclusion, he stressed that the path the government intends to follow "is not the yellow brick road and it is not the answer to all infrastructure funding," but it is a considered and strategic step towards rebuilding Ontario that we need to take together.

For more information:

1. To obtain a copy of the Minister's speech in its entirety, go to the Ministry of Public Infrastructure Renewal website at: www.pir.gov.on.ca and click on "Media Centre" and "Speeches" for May 9, 2005.
2. To view a summary of the Ontario Government's "Building a Better Tomorrow: Infrastructure Planning, Financing and Procurement Framework" go to The Council's website at: www.pppcouncil.ca/pdf/infrasum.pdf.



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