



2025 Ontario Budget Submission

Submitted on January 24, 2025

Executive Summary

With infrastructure funding from federal and provincial governments becoming increasingly limited—and with the added pressures brought on by the current economic situation—governments now, more than ever, need additional tools to ensure maximum value for taxpayers. As populations continue to grow, there is an ever-increasing demand for new and revitalized infrastructure. However, rising debt, inflation, trade labour shortages, the threat of U.S. tariffs, and other market conditions affecting infrastructure delivery in Canada are leaving governments feeling pinched.

There is an opportunity for the Government of Ontario **to achieve more with existing financial resources** by harnessing the discipline and expertise of private capital through Public-Private Partnerships (P3s).

The P3 Opportunity

P3s have broad public support - Recent polling by the Council, in partnership with Abacus Data, reveals strong public support for approaches that leverage both public and private expertise. Ontarians recognize the urgency of the infrastructure challenge and the limitations of traditional government funding programs in addressing these issues. Notably, 72% of respondents are uncertain that governments can meet these demands without raising taxes. The good news for the government is that 62% of Ontarians, across demographics and regions, support combining public and private investments to fund, finance, operate, and maintain public infrastructure. This underscores clear public support for P3 models.

Ontario has a strong track record of leadership in P3 procurement - Canada is a globally recognized leader in P3s, and Ontario has been at the forefront of this reputation. For decades, the Province of Ontario has strategically leveraged P3s for larger and more complex infrastructure initiatives, recognizing the benefits of partnering with the private sector in delivering the best value to Ontarians.



As of March 31, 2022, 78 P3 projects had reached substantial completion, 94% were completed on budget, and nearly 70% were completed on time.¹ This proven track record highlights the model's success and reinforces its potential to deliver value for taxpayers in the right project context.

Opportunity to address procurement challenges to speed up infrastructure delivery and improve asset management: The December 2024 Auditor General's report offers a fair and balanced review of recent infrastructure procurement challenges, many of which echo recommendations issued by the Council and its public and private sector members in early August in [Modernizing Canada's Approach to Public-Private Partnerships \(P3s\)](#). These recommendations present opportunities to address challenges and ensure Ontario remains a competitive leader in major infrastructure and P3 project delivery.

The Council acknowledges that recent challenges in P3 transit projects have impacted perceptions of the model. However, it is important to recognize that globally, transit projects are among the most complex and expensive infrastructure undertakings, regardless of procurement method.

Looking ahead, the Council and its members see significant opportunities to continue leveraging the P3 model in Ontario. These include returning to P3s for highways, roads, and bridges; advancing school revitalization and new school construction through proven bundling approaches; and addressing critical municipal and Indigenous community water and wastewater infrastructure needs to deliver the essential infrastructure and public services Ontarians deserve.

Summary of Budget Recommendations

With this context in mind, to support the development of Budget 2025, the Council recommends the following:

- **Recommendation 1:** The Council recommends that the Government of Ontario reassess its current reliance on Design-Build models for delivering transportation project procurements (highways, roads, and bridges) by reintroducing, where appropriate, the discipline of private capital and expertise inherent in P3s.
- **Recommendation 2:** The Council recommends that the Government of Ontario leverage the proven success of P3 school bundle models, implemented across Canada, to achieve its school construction targets and address the needs of students.

¹ For more information, please refer to Infrastructure Ontario's Major Projects [FAQs - Public Private Partnerships \(P3s\)](#)



- **Recommendation 3:** The Council recommends that the Government of Ontario prioritize the use of P3 models for water and wastewater infrastructure projects to address the growing demands of municipalities and Indigenous communities.

About the Council

The Canadian Council for Public-Private Partnerships (CCPPP) represents the full spectrum of the infrastructure sector, including private sector construction, engineering, legal, and advisory firms, as well as banks, financiers, operators, and facilities maintenance providers as well as public sector owners. Our members bring decades of experience delivering, operating, and maintaining public infrastructure across Ontario, Canada and globally. We invite you to visit our website to learn more about the Council's mandate and mission at www.pppcouncil.ca.



CCPPP Budget 2025 Recommendations

Recommendation 1: The Council recommends that the Government of Ontario reassess its current reliance on Design-Build models for delivering transportation project procurements (highways, roads, and bridges) by reintroducing the discipline of private capital and expertise inherent in P3s.

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, bridges and smaller transit projects. The DBFM/DBFOM models should be preserved and utilized in the appropriate circumstances and not abandoned. However, we continue to see an over-reliance on traditional or progressive Design-Build models for highway projects, which is limiting the government's ability to maximize value for taxpayers. The Council recommends that the Government of Ontario consider the following:

Rethink the Over-Reliance on Traditional and Progressive Design-Build Models – Private capital and integrated operations and maintenance are critical differentiators of P3s that other procurement approaches, such as traditional or progressive Design-Build, Alliance, and Integrated Project Delivery (IPD) models, simply don't have. One of the key advantages of P3s is the infusion of private capital, which brings independent oversight by third-party lenders. This oversight ensures that both private and public sector partners act reasonably and are incentivized to perform. This oversight is completely absent from a design-build procurement. Additionally, P3s account for ongoing maintenance and operations costs, safeguarding them from budget cuts down the road. This ensures infrastructure is built to last and provides a higher-quality experience for the communities that depend on these assets.

Leverage Proven P3 Highway Project Successes – The P3 model is a tried-and-tested approach, demonstrated by several successful highway projects across Canada that offer valuable lessons for Ontario. Notable examples include the Herb Gray Parkway in Ontario, as well as projects from across the country, such as the Tłıchǫ All-Season Road (Northwest Territories), the Regina Bypass (Saskatchewan), the Edmonton Ring Road Program (Alberta), and the North Commuter Parkway (Saskatchewan). The Edmonton Ring Road Program, in particular, provides a valuable comparative analysis of highway delivery methods, employing both P3 and traditional models across its four stages. While the study offers Alberta-specific insights, it highlights the benefits of P3s—particularly in meeting project timelines—which are highly relevant for Ontario. This program's success underscores the effectiveness of the P3 approach, recognized by both public and private sector stakeholders as essential for delivering ambitious projects within tight deadlines. The Council would be pleased to provide supporting case studies for these projects.

Market Impacts and Industry Participation - The current frameworks have reduced market participation, with major firms expressing reluctance to bid on transportation P3 projects under existing conditions. Some of our members believe that a shift toward progressive delivery models, such as Progressive P3s, can create opportunities for shared risk, collaborative problem-solving, and enhanced overall project outcomes. However, other members caution that the Progressive model does not address market competition, particularly for social projects like hospitals exceeding \$1 billion. The real competition challenge lies in the capacity of contractors and subcontractors to execute large-scale projects. Until the market reaches substantial completion on a Progressive P3, there is no concrete evidence or certainty that the Progressive model resolves this issue.

To address these challenges, the Council recommends that public owners refocus on planning and scaling projects to levels seen in previous years, with an emphasis on integrating and managing the interface of such projects from both risk and logistical perspectives. By doing so, more contractors will be able to competently compete and execute projects, resulting in optimal pricing efficiency and greater certainty in execution.

Refine and Evolve the P3 Model - The Council supports the recommendations in the Auditor General's report, particularly recommendations 14 and 15, which call for updating the quality oversight framework for highway construction and analyzing P3 contracts from other jurisdictions to identify clauses that enhance clarity and facilitate timely dispute resolution. While highway P3s have consistently demonstrated success across Canada, constructive action is needed to refine the model and ensure its continued effectiveness. Governments must shift their perspective from acting solely as contractors or service providers to embracing their role as "industrial owners" with a vested interest in long-term project success.

Recommendation 2: The Council recommends that the Government of Ontario leverage the proven success of P3 school bundle models, implemented across Canada, to achieve its school construction targets and address the needs of students.

The Council believes there is a significant opportunity for the Government of Ontario to leverage the P3 school bundle model to advance its mandate of building new schools and expanding, retrofitting, and repairing existing facilities to meet the needs of Ontario's growing communities. Bundling, when incorporated into a single procurement, creates an advantageous P3 structure for similar assets across multiple sites.

Ontario can look to several successful P3 school bundles for inspiration and evidence-based outcomes, including Alberta's P3 Schools Bundle #2, SaskBuilds Joint-Use Schools Projects (Projects 1 & 2), and the Irish Schools P3 Program. These projects provide strong examples of

how bundled P3 procurement reduced costs, improved risk sharing and mitigation, expedited delivery, and secured ongoing funding for operations and maintenance. This approach achieved greater economies of scale and ensured high standards of long-term asset management, allowing teachers and school administrators to focus on children and their education.

Recommendation 3: The Council recommends that the Government of Ontario prioritize the use of P3 models for water and wastewater infrastructure projects to address the growing demands of municipalities and Indigenous communities.

The Council recommends that the Government of Ontario prioritize the use of P3 models for water and wastewater infrastructure projects to address the growing demands of municipalities and Indigenous communities.

Water and wastewater infrastructure projects are particularly well-suited to the P3 model due to their long-term nature and the need for specialized expertise and innovation. As municipalities work to meet the infrastructure demands of growing populations and increased housing needs, P3s offer a proven, efficient, and sustainable approach to delivering these critical systems. They are also an ideal tool to help the Government of Ontario achieve more through existing resources under its Housing-Enabling Water Systems Fund.

Notable examples of successful P3 water and wastewater projects across Canada include:

- **Evan Thomas Water and Wastewater Treatment Facility Project (Alberta)**
- **Lac La Biche Biological Nutrient Removal (BNR) Wastewater Treatment Facility (Alberta)**
- **City of Wetaskiwin Wastewater Treatment Plant (Alberta)**
- **Regina Wastewater Treatment Plant Upgrade Project (Saskatchewan)**
- **City of Saint John – Safe, Clean Drinking Water Project (New Brunswick)**
- **Hamilton Biosolids Project (Ontario)**

The P3 model ensures municipalities assess a project's full life-cycle costs, rather than focusing solely on construction expenses. Long-term Design-Build-Finance-Operate-Maintain (DBFOM) contracts integrate operations and maintenance costs, protecting them from budget cuts and ensuring infrastructure is built to last. This approach provides a higher-quality experience for communities and secures the sustainability of vital systems.

Furthermore, the P3 model presents significant opportunities for project bundling (similar to school projects), particularly in the water and wastewater sector. For municipalities and Indigenous communities, bundling reduces costs, transfers risk, expedites delivery, and secures ongoing funding for operations and maintenance.



The Council's recently published [Municipal P3 Opportunity Recommendations](#) and its supporting [P3 Guide for Municipalities](#) are two digital resources that the government can collaborate with the Council to utilize. These tools are designed to enhance awareness and understanding of the P3 model and its potential application to critically important infrastructure assets and services that Ontarians depend on.

Conclusion

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

The Council looks forward to strengthening our collaborative relationship with Infrastructure Ontario officials, who continue to uphold the highest standards of P3 procurement while advancing a progressive model that fosters competition, innovation, and effective risk transfer to protect taxpayers. Additionally, our members welcome opportunities for expanded collaboration with Metrolinx, the Ministry of Transportation, the Ministry of Municipal Affairs and Housing, and the Treasury Board Secretariat to share industry insights and support the development of a robust pipeline of infrastructure projects that enhance the quality of life in Ontario communities and deliver better value for 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". The signature is written in a cursive, flowing style.

Lisa Mitchell
President and CEO