



2023 FEDERAL BUDGET SUBMISSION

The Canadian Council for Public-Private Partnerships (CCPPP) welcomes the opportunity to submit its recommendations to the Government of Canada in advance of the 2023 Budget. Canada is a recognized global leader in P3s and, historically, put in place tools and incentives available to the Canada's public sector infrastructure owners that demonstrated a clear commitment from the government to use of the model. However, it is clear the market has shifted and that the pipeline has slowed significantly, due in part, to economic factors and the cyclical nature of infrastructure funding programs, but to also the gap left behind by the dissolution of PPP Canada which has resulted in includes gaps in data, tools and guides, insight into the pipeline of federal projects, support for Canada's municipalities, streamlined approaches and knowledge transfer.

The Government of Canada has shown great leadership in the application of the P3 model over the years in various asset classes including the Energy Services Acquisition Program (ESAP) / Energy Service Modernization Project (ESM) and the Gordie Howe International Bridge. In 2022, CCPPP awarded *Library and Archives Canada* (LAC) with an award in infrastructure for its state-of-the-art new Preservation Storage Facility, built as part of the Gatineau 2 project. This P3 project used a Design-Build-Finance-Operate-Maintain (DBFOM) model and is the first net-zero carbon building dedicated to archival preservation in the Americas, setting a new benchmark for archival facilities worldwide.

The Council understands it is the Government's intention to table legislation related to BEPs Action 4, currently titled Excessive Interest and Financing Expense Limitations (EIFEL). CCPPP and its members believe it is critical that P3s, particularly existing projects, are exempt from this new legislation in order to ensure that our member companies can continue to build, operate and maintain the current portfolio of projects such as hospitals, schools, water and wastewater facilities, roads and bridges. The Council was pleased to see the inclusion of an exemption clause in the updated draft legislation and continue to work closely with Finance Canada officials to ensure that the exemption protects these critical pieces of infrastructure, as we believe it is intended to do.

While the Council is encouraged by the Government of Canada's ongoing efforts to attract private sector investment and harness the experience and expertise through partnership models, including through the Canada Infrastructure Bank (CIB), the Council encourages the Government of Canada to consider additional initiatives to continue to support Canada's ongoing leadership in this space.

BACKGROUND ON THE COUNCIL

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 is governed by a Board of Directors and operated by a small staff.

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

The Council has over 30 years of supporting and advocating for innovative forms of cooperation between the public and private sectors for the benefit of all Canadians. Our vision is to shape the future of Canada's infrastructure and services by delivering value to Canadians through P3s.

MISSION

CCPPP 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 advocates for procurement models to deliver infrastructure and services to Canadians that provide efficient solutions to achieve 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. The Council also wishes to see strong projects across diverse asset classes – such as wastewater treatment, irrigation, bridges, roads, and more – as well as projects that directly benefit Indigenous communities.

RECOMMENDATIONS

The Council, therefore, recommends the following be included in Canada's 2023 budget.

1. Create a specialized centre for the oversight, development and execution of federal P3s and partnership models.

Since the dissolution of PPP Canada and the removal of the Federal P3 Screen from the Treasury Board Secretariat's requirements, the federal government lacks a single point of contact and centre of expertise for federal P3s and other major projects. As a result, there are obstacles to ensuring there is knowledge transfer between project delivery groups as projects move through the various phases, but also creates challenges for the private sector to prepare and respond to projects as they enter the market and particularly so in today's economy where, across the country, governments are implementing ambitious infrastructure agendas in an inflationary environment, with supply chain issues, labour shortages and more.

Centralized units at the federal level are a global best practice and provide stability in the procurement processes, streamlined documentation and governance approaches, and are key in ensuring that the market has confidence in its government partner.

A centralized unit would allow for the sharing of best practices and lessons learned from public-private partnership agreements such as the Communications Security Establishment (CSE) Long-term Accommodation Project, Energy Services Acquisition Project and others, to improve life cycle performance and to drive innovation, energy efficiencies and savings for taxpayers.

The Council also recommends the government implement electronic submissions to fast-track project procurement and delivery, which will promote cost savings and efficiencies during the RFQ and RFP process. These tools are an important part of a larger infrastructure system and are just one part of creating a stable and predictable pipeline. The Council is encouraged by CIB's mandate to create and provide a secure and consistent pipeline but presses the Government to fulfill this promise.

A centralized unit responsible for federal procurements will not only ensure the procurements are best in class, but will also support attracting private sector investment, driving competition and delivering value for Canadians.

2. Keep its commitment to foster evidence-based decision-making, collect and disseminate data, and produce a national pipeline to support private sector investment.

In 2016-17 the Government of Canada announced new initiatives to support the development of projects, to better inform investment decisions and to generate investor interest and innovation. The Council believes that these initiatives are essential to ensuring a stable and reliable market and to ensure that governments have the tools and information they need to make sound decisions to ensure value for taxpayers.

In the Corporate Plan for the Canada Infrastructure Bank, the CIB mandate clearly articulated to include activities and initiatives to support this work, including a “five-year forward-looking pipeline to promote transparency and long-term planning”. However, at this point in the 2022-23 fiscal year, there remains much to be done in these areas.

The Council strongly suggests that Government of Canada continue to emphasize the importance of these initiatives as they are critical to not only partnering with the private sector, but also to delivering major infrastructure projects across the country.

3. Utilize the National Infrastructure Assessment to the best of its potential.

In 2021, the government released the results of its consultation with interested stakeholders on the proposed National Infrastructure Assessment. The report, *Building Pathways to 2050: Moving Forward on the National Infrastructure Assessment*, outlined critical issues and opportunities for Canada’s infrastructure landscape. However, eighteen months after release of the report, no further action has taken place.

The Council strongly encourages the government to release a mandate for the assessment that actively promotes private sector investment in Canadian infrastructure. Evidence-based and long-term infrastructure planning data is paramount to the work we do in infrastructure.

The work done for the National Infrastructure Assessment is a crucial piece of data that should not be ignored, but rather explored as a launching point.

4. Support Canada’s municipalities in the consideration and application of P3s, where appropriate, to unlock the long-term benefits of the model.

The need for new, sustainable and resilient infrastructure is increasing in Canada and governments at all levels, and especially municipalities, are struggling to keep pace with public demands and efforts to address climate change. Local governments own approximately 60 per cent of the public infrastructure that supports our economy and quality of life, and the Council welcomes the federal government's ability to create and secure tools that help municipalities succeed with their projects. The Council’s concerns are related to the methods of crafting contracts, costs, delivery times, and life cycle management. The P3 model can support governments focused on resilient infrastructure through the use of long-term operations and maintenance to support asset management.

Municipalities face a difficult challenge in funding their infrastructure needs as they must balance operating budgets and manage municipal debts. The Council believes the 'made in Canada' P3 model offers municipalities important options to consider when weighing how best to finance, design, construct, operate and maintain their critical infrastructure for decades to come. The P3 model encourages long-term thinking and the inclusion and understanding of the costs that will come after construction to keep municipal infrastructure in pristine condition, thereby increasing its longevity and its resiliency. This work is part of our ongoing strategic plan. The P3 Canada Fund demonstrated the potential for application of the P3 model to municipally owned assets which was an innovative way to expand the market. With the dissolution of the Crown corporation, a gap exists.

Additionally, the sector has seen major setbacks across municipal projects across asset classes, such as in transit, which could have been mitigated through the P3 model. The Council encourages the government to develop a new pathway within their current suite of tools, such as the Canada Infrastructure Bank, to support the use of this model. The Government of Canada should examine mechanisms to incentivize municipalities to utilize best practices in procurement, with the goal of ensuring that owners ultimately have the tools and expertise they need to succeed.

The Council continues to advocate the benefits and practical application of the model to governments of all levels, in considering their capital needs.

5. Increase support for the development of skilled trades across Canada

Canada is experiencing a national labour shortage across many sectors, but it is especially pronounced in construction. When businesses cannot find the workers they need, output suffers, and economic growth is stifled. These labour shortages are in part due to a retiring workforce and a skills gap. Pronounced skill shortages can be alleviated by education and retraining initiatives, and working directly with the organizations that are facing these shortages can help outline what these approaches can look like, such as work-integrated learning. Assessing the gaps that stop people from participating in the labour sector will create a sustainable market opportunity for years to come. Canada must move jobs from the hard-hit service sector into trades and construction.

There is an opportunity to work with provinces and territories to align training programs with demand from the labour market and strategically invest in programs producing the best results. The Council encourages the government to create a foreign labour program that grants express entry for those entering for labour jobs, which should include providing additional funding for trades training and apprenticeships to support these workers. The Government should also invest in programs to help Canadians enter the labour market in new areas of Canada, to help target areas of the country that have been hit the most by labour shortages.

On behalf of the Council and our Board of Directors, I would like to thank you for your consideration of the recommendations above. Should you have any questions, or wish to engage with our organization and members, we would be happy to meet at your convenience.

Lisa Mitchell – President and CEO