

The Canadian Council for
Public-Private Partnerships



Le Conseil Canadien pour
les Partenariats Public-Privé

THE CANADIAN COUNCIL FOR PUBLIC-PRIVATE PARTNERSHIPS

RESPONSE TO NATIONAL INFRASTRUCTURE ASSESSMENT

June 2021

The Canadian Council for Public-Private Partnerships (CCPPP) is pleased to respond to Infrastructure and Communities Minister Catherine McKenna and Infrastructure Canada's request for feedback to help shape our nation's first-ever National Infrastructure Assessment.

Established in 1993, the Council is a national not-for-profit, non-partisan, member-based organization with broad representation from across the public and private sectors. Our mission is to collaborate with all levels of government, Indigenous communities and the private sector to enable smart, innovative and sustainable approaches to developing, operating and maintaining infrastructure that achieve the best outcomes for Canadians.

Assessing Canada's infrastructure needs and establishing a long-term vision

The Council is in support of an evidence-based and expert-driven assessment of Canada's infrastructure needs and have long been a proponent of more robust, longer-term planning and in sharing best practices to ensure Canadians from coast-to-coast-to-coast have access to top quality infrastructure that keeps them connected, healthy and prosperous.

By looking not only at the immediate needs of today but for several decades, as well as utilizing data to inform decisions, the federal government will meet its policy priorities, as well as provide greater stability to the infrastructure sector, which in turn will drive innovation and cost savings to stretch taxpayer dollars even further.

CCPPP's members also look forward to the creation of an independent advisory body to help guide the government in its decision-making. By tapping the expertise of others, including those involved in infrastructure from the private sector, Canadians will truly benefit from a wide variety of experiences and ideas.

Canada is extremely fortunate to have made significant investments in its infrastructure and to have a globally-leading infrastructure sector that has been — and continues to

be — ready, willing and able to execute on the government’s priorities. The public-private partnership approach is particularly well positioned to rise to the challenge.

The public and private sectors across the country have a long history of collaborative partnership, enabling infrastructure investments to achieve the best outcomes. Now, as we work to successfully re-emerge from the devastating pandemic and confront the challenges of climate change, it is the optimum time to capitalize on these relationships to help build the Canada we want in 2050.

In establishing a long-term vision, CCPPP believes it is instructive to both learn from the past and aspire for future goals. The Council has the largest database of Canadian P3 activity (*P3 Spectrum*), with significant information on close to 300 active P3 projects in operation or under construction valued at more than \$139.4 billion, as well more than 80 case studies published to date on successful award-winning projects. The Council would be happy to collaborate with the government, using these tools, in a productive discussion of what “could” be achievable under the long-term vision.

When it comes to assessing the size and nature of Canada’s infrastructure deficit, primarily across traditional infrastructure sectors including economic infrastructure (power, water/wastewater, telecom and transport) and social infrastructure (municipal, universities, schools and hospitals), there are many studies with differing views. However, it is clear there is a significant gap that is hampering Canadian economic activity and job creation, as well as efforts to provide a more fair, equitable and inclusive society. The Council would welcome a more rigorous study at the federal level as part of the National Infrastructure Assessment process.

Of particular concern to the Council and its members is the Indigenous infrastructure gap. In CCPPP’s *P3’s: Bridging the First Nations Infrastructure Gap* study published in 2016, we estimated Indigenous communities were facing a staggering infrastructure deficit of as much as \$30 billion. The pandemic has intensified those needs, particularly when it comes to broadband, health care and water/wastewater.

As part of its assessment, the Council would encourage the federal government to consider these important points for Indigenous communities:

- Partnership in major natural resource and infrastructure projects enables Indigenous communities to have access to secure and reliable revenue streams. For the vast majority of Indigenous communities, those revenue streams are used to serve community infrastructure needs such as wastewater, housing, roads, lot services, and so on. Attention needs to be paid to the value of Indigenous involvement in economic infrastructure (mines, pipelines, toll roads, transmission) as a means to create the revenue stream necessary to deliver Indigenous community infrastructure. Support should be in place to enable Indigenous communities to take a greater role in partnering on economic infrastructure projects.

- The largest barrier facing Indigenous communities in partnering on major projects is affordable access to capital. Equity partnership with Indigenous communities on major projects represents a true form of consent. Indigenous partnerships on projects reduce credit risk and can achieve a higher sustainability rating for those investors looking to park capital in ESG compliant projects. Without access to appropriate financing support, such as loan guarantees or low-cost equity style financing, Indigenous communities are losing out on partnership opportunities and stranded risks remain on those projects without Indigenous equity partnerships. The Council recommends Infrastructure Canada, through the Canada Infrastructure Bank (CIB), offer equity style loans to Indigenous communities, increasing their ability to partner on projects.

Improve Coordination Among Infrastructure Owners and Funders

The Council and its members, who cover the gamut of the sector from contractors to financiers to legal experts and architects, as well as the public sector, have strong and informed views based on their vast array of experience on “how” to get projects done and where improvements are possible — and desirable.

Project pipeline

There would be a tremendous benefit to curating and articulating a Canada-wide pipeline of projects procuring authorities wish to pursue. Since infrastructure procurement in our country is done in a piecemeal fashion with the federal government, provinces and territories, municipalities and Indigenous communities all playing a role, the tracking of opportunities, and the resultant corporate strategy and management of resource deployment, largely falls onto the private sector. Only Infrastructure Ontario and Infrastructure BC currently publish regular market outlooks.

The private sector — and all levels of government — would benefit from a comprehensive and long-term outlook coordinated between the procuring authorities, that includes list of projects to be considered for tender, the time frame and the process so companies can plan accordingly.

This pipeline could also provide status updates on projects announced by the federal government, such as the Atlantic Loop, which would be helpful for other levels of government and the private sector.

At the moment, the opportunity pipeline is largely established through market sounding exercises that are sporadic, often do not engage the entire industry and can become somewhat repetitive in the inquiries made.

Such a coordinated market outlook would also provide the opportunity for the federal government to coordinate strategy and various levels of funding, particularly for project or sectoral initiatives in which federal funds are being deployed or otherwise promised.

Federal procurement

In respect of projects procured by the federal government itself, the Council's members make the following recommendations for the process and manner of procuring such projects to improve efficiency:

- (a) Landing on a commercial structure that takes into account the needs of the private sector equity investor at the early stages of a procurement, including that such structure be financeable through the bank or debt capital markets, as needed;
- (b) Retaining advisors for the federal government with infrastructure experience, particularly in of the areas of finance and procurement; and
- (c) Engaging with the private sector in a transparent, but informal, manner prior to a procurement in order to answer questions about the procurement, its commercial structure and to otherwise gauge concerns that may be expressed before formal RFQ and RFP documentation is released. A particular area of concern expressed for prior procurements has been in respect of security clearances required for a particular project and the time (and therefore cost) of obtaining such clearances.

Other concerns include:

- (a) Lack of continuity in those tasked with the execution of federal projects;
- (b) Differing processes and procedures among ministries;
- (c) A lack of communication between the ministries themselves, and;
- (d) The transition out (and in) of key team members during the course of the procurement, with resultant inefficiencies.

One notable exception, and a federal "model" for how CCPPP members consider these federal projects could be procured is Defence Construction Canada (although the time/cost for security clearances still must be addressed for even those procurements).

The Council recommends the formation of a central agency for federal procurements, similar to Infrastructure Ontario and its counterparts in other provinces, with oversight of projects across ministries. Such an agency could ensure the coordination between the various ministries and allow for consistency of those personnel charged with the procurement of projects, even as deputy ministers and others in a particular ministry may change. Such a central agency could also engage with the private sector on a more regular basis to foster relationships with the private sector and to seek private sector input on the development of consistent financeable documentation.

CCPPP would also welcome the addition to its board of a federal agency such as Defence Construction Canada or federal ministries and other federal agencies in the pursuit of its endeavours. Currently, the Council has representatives from SaskBuilds,

Infrastructure Ontario and Ehren Cory, CEO of the Canada Infrastructure Bank, sitting on its board.

Environmental Infrastructure

In Canada, the vast majority of public infrastructure is primarily owned by municipal governments. As the country embarks on historic investments in infrastructure to tackle climate change and transition to a circular economy, there has been a lack of reference to environmental projects, particularly in the waste diversion and management sector which some of CCPPP's members in this sector believe can deliver significant and sustainable results.

CCPPP believes Infrastructure Canada, as a funding partner, can play a significant role in encouraging and supporting municipalities as they contemplate these complex environmental projects and help guide them to create well structured projects that reduce our environmental footprint and embrace new and innovative technologies that provide value-added benefits to the host communities and their respective ratepayers.

Workforce and skills training

To enable Canada to deliver on its infrastructure vision, we will require tens of thousands of highly skilled workers to plan, build, operate and maintain it to ensure it serves Canadians for decades to come. In particular, we would encourage the government to provide additional funding for trades training and apprenticeships for less well-served communities, including women and Indigenous communities.

We would also recommend the government consider the request by Canada's Building Trades Unions (CBTU) to have the federal government introduce a Construction Mobility Tax Credit — a personal tax exemption on expenses construction workers typically incur when they temporarily relocate for work. Given the skilled trade shortage in Canada, which is expected to only intensify as more workers retire, and the migratory nature of the specialists needed to build highly complex projects, the Council believes this would help alleviate both immediate and long-term strain on the sector to find and retain talent.

Quality, architecture and barrier-free design

When properly built and cared for, infrastructure can last for decades. That means it needs to not only meet the needs of today but also anticipate the demands of tomorrow, like climate change, new technology and an aging population.

Innovative also means sustainable and resilient. In a world increasingly dealing with dwindling resources and the impacts of a warming planet, both governments and the private sector need to think green when choosing building materials, recycling construction materials and in selecting more energy efficient designs and technology. In the short term, these efforts may have more upfront capital costs but provide significant

cost savings and greenhouse gas emissions over the long term. Given the long-term nature of agreements, P3s are particularly adept at taking climate change and resiliency features into account when planning a project. The Tłıchq All-Season Highway project in the Northwest Territories is one example of such a project.

Governments also do not have a strong track record of maintaining infrastructure, which often leads to more expensive problems down the road. Before deciding on infrastructure projects, governments need to weigh how a project is built and the long-term costs of operating and maintaining it — not just focus on the initial price tag of building the bridge, road or hospital.

Right now, P3-procured infrastructure are the only projects consistently tracked across Canada for Value-for-Money, cost, time and life cycle performance. With contracts that include maintenance and operations, teams involved in P3 projects have a financial incentive to ensure projects are built to serve the needs of their communities for decades and use innovative cost-savings measures such as green energy.

CCPPP recommends the federal government explore how it can use some of the best practices from public-private partnership agreements to improve life cycle performance to drive innovation, energy efficiencies and cost savings for taxpayers.

Data and technology

CCPPP recommends the government implement electronic submissions to fast-track project procurement and delivery, which will help save time and money during the RFQ and RFP process.

We also encourage the federal government to share data and reports with the private sector to foster collaboration and to further drive innovation, particularly in the area of climate change research.

Greater ties between Canada's world's renowned researchers and the private sector would:

- Enable the federal government to greatly improve the innovative, sustainable and resilient features of its critical infrastructure; and
- Further develop and enhance the global reputations of researchers and Canadian companies in finding solutions to real-world problems.

The government could also help de-risk the use of made-in-Canada innovative technologies to help spur greater use by the country's infrastructure sector.

Determine the Best Way to Fund and Finance Infrastructure

There is much available capital in Canada and elsewhere ready to fund infrastructure, particularly with respect to long-term capital. Indeed, CCPPP's members would argue there is currently more money available than there are projects in which to invest.

In recent years, the number of projects requiring longer term capital has diminished considerably. The Council is concerned that more public authorities and projects are not taking advantage of available capital, but instead use public funding to a level that severely compromises or eradicates private capital, particularly since the cost of such capital has been at record lows for some time.

As the National Infrastructure Assessment notes “[i]nfrastructure investors, particularly public pension funds, have expressed a clear desire to invest in Canadian infrastructure, but institutional investment depends on governments providing certainty and predictability with a long-term vision.” CCPPP believes such investors need the opportunity to invest meaningful levels of private capital, with more design-build-finance-maintain projects or similar structures being utilized.

The Council's P3 database and case studies consistently demonstrate private capital adds value to projects. If properly structured, the role of private capital can go beyond paying for capital works and can act as the glue which efficiently assesses, manages, mitigates and co-ordinates project risks, as well as adding discipline to the long-term life cycle costs of a major project.

Many Value-for-Money (VfM) reports have demonstrated that privately financed P3 projects, when used for the right projects, deliver positive value for money, overcoming the incremental cost differential between private and public capital. To this point, the Council cautions that the increasing use of alternative delivery models structured without private capital, such as progressive design-build and alliance delivery models, might achieve lower than expected VfM results. As compared to privately financed P3 projects, such alternative models advanced without private capital have less of a proven history of verified VfM reports, efficient risk transfer, and cost and schedule discipline.

Any private sector involvement in funding and financing infrastructure in Canada must be predicated, however, on commercial structures and documents that are financeable, and regrettably not all procuring agencies (including federal ministries and other federal agencies) propose commercial structures or issue documentation that is so financeable. As noted above, more consultation with the private sector (and particularly so before a procurement is formally issued) would permit early feedback intended to streamline processes.

The Council is supportive of the Canada Infrastructure Bank and our members are watching with great interest the projects on which CIB deploys its capital and applaud its strategy to provide bridge or gap financing to enable revenue-generating projects that are in the public interest.

CCPPP members would welcome the opportunity to hear even more from the bank. For example, quarterly check-in calls between CIB and the private sector could discuss and create greater understanding of the risk tolerances posed by various private sector partners and provide greater foresight into what the CIB is actively working on and how the private sector may be able to participate.

Some other areas the Council suggests exploring for CIB are:

- **First Loss Capital:** If possible, the private sector would welcome the CIB to take “first-loss” capital risk at the project-level. New sectors and/or projects that have a higher risk profile are more easily digested by investors in the role of preferred equity.
- **Specialist Development Partners:** Private sector developers and investors entering into a new sector often require a co-developer who has both “skin-in-the-game” and sector expertise. The CIB could help enhance the interest of these new entrants by “matching” them with development expertise in areas such as broadband, tower development and green tech.

The Council would also encourage the federal government to continue and broaden its real estate asset recycling endeavours as a way of funding and enabling new infrastructure investments. The government may also want to consider private capital to help improve and/or expand Canada’s airport and port infrastructure to enhance these critical facilities to facilitate greater economic trade and job creation.

Conclusion

The Council has, as its mandate, the development and maintenance of infrastructure that achieve the best outcomes for Canadians. CCCPPP appreciates the opportunity to respond to the National Infrastructure Assessment and would be pleased to engage in further conversations with the Minister and Infrastructure Canada on any of the points raised in its submission.