

# 2024 Alberta Government Budget Submission

**Submission Date:** January 18, 2024

## 1. Executive Summary

The Canadian Council for Public-Private Partnerships (CCPPP/ the Council), on behalf of its close to 300 private and public sector members, welcomes the opportunity to submit recommendations to the Government of Alberta for the Budget 2024 consultation.

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.

With notable P3s underway and in operation, the Province of Alberta is experiencing firsthand the benefits the model can bring to deliver complex public infrastructure projects. Based on these projects and growing expertise in Alberta’s public and private sectors, there is an opportunity for the Province to advance its leadership role in innovative procurement and delivery, supporting Alberta’s growing pipeline of infrastructure projects.

To achieve this goal, the Council recommends that the considerations outlined in **Section 3** of this submission (detailed further in the recommendations) be incorporated into the Government of Alberta’s Budget 2024:

**Recommendation 1: That the Government of Alberta evolve procurement approaches to ensure early engagement with private-sector proponents, fostering a solutions-oriented procurement environment.**

**Recommendation 2: That the Government of Alberta support municipalities in considering and applying P3s, where appropriate, to unlock the long-term benefits of the model and maximize infrastructure funding.**

**Recommendation 3: That the Government of Alberta evaluate the potential for further P3 project bundling to maximize value to taxpayers and better manage risks.**

### **The P3 Opportunity in Alberta**

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 methods, and pension fund investment strategies, offer tangible solutions beyond traditional short-term fixes. These strategies use a holistic approach to asset management, considering the entire life cycle 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 depend on. The model, when used appropriately, can be used as a tool to address the widening infrastructure gap in growing urban and suburban centers, rural towns and Indigenous communities.

Since its introduction to the Canadian market more than three decades ago, the P3 model has evolved and adapted, diversifying its application to differing asset classes, onboarding new partners, and integrating innovations to meet the unique needs of various jurisdictions across the country.

P3s have a proven track record in Canada and globally, and at the heart of the public-private partnership model is value for taxpayers. As the model continues to evolve, it provides tremendous opportunities to deliver resilient, innovative, and high-quality infrastructure and services that enhance economic opportunities and the quality of life in Canadian communities for today and the long-term.

## **2. Background on CCPPP**

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

The Council advocates for 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.

## **Our Mission**

To shape the future of Canada's infrastructure and services by delivering value to Canadians through public-private partnerships (P3s).

The Canadian Council for Public-Private Partnerships 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 will advocate for procurement models to deliver infrastructure and services to Canadians that provide efficient solutions to 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.

## 2. CCPPP 2024 Budget Recommendations

### **Recommendation 1: That the Government of Alberta evolve procurement approaches to ensure early engagement with private-sector proponents, fostering a solutions-oriented procurement environment.**

There is a significant opportunity to revamp procurement practices, ensuring the integration of private sector expertise *before* government procurers select asset solutions. Enhancing transparency and modernizing procurement approaches for major projects to foster early engagement with private sector proponents, promote competition, cultivate a pipeline of market-ready projects, share best practices and elevate quality infrastructure solutions will foster a solutions-oriented delivery environment.

#### **Key Considerations:**

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

- **Evaluation Criteria:** Revisit established criteria in procurement processes to facilitate the entry of new players into the market. Consider incorporating technical evaluations to move away from the lowest cost being the determining factor, which creates a "race to the bottom" mentality among contractors and developers.
- **Transparency:** 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, delivering better results.
- **Cost Estimates:** Address concerns about outdated cost estimates during procurement. Regardless of the model used, starting the procurement process with accurate and current cost estimates is essential to build trust and avoid potential issues later.
- **Mitigating 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 and explicit

contractual agreements outlining risk allocation, along with implementing robust monitoring and adjustment mechanisms throughout the project life cycle.

- **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. As a result, the Council recommends that the Province review its current contracts and take proper steps to avoid unnecessary litigation prompts.

**Recommendation 2: That the Government of Alberta support municipalities in considering and applying P3s, where appropriate, to unlock the long-term benefits of the model and maximize infrastructure funding.**

Facing ballooning deferred maintenance gaps, ever growing needs and lack of funding, municipalities should be encouraged and supported to explore alternative financing options to deliver essential infrastructure and deliver greater, longer-term value for their communities.

The Council believes the 30+ year success of the P3 model across Canada offers important options and case studies on how the model can help de-risk projects for municipalities over the long term by harnessing the expertise of the private sector in existing and emerging asset classes of interest (district energy, housing, bridges, etc.) and the additional oversight of investors, while supporting internal municipal capacity issues. In particular, the use of the model will ensure municipalities are examining the full life cycle cost of a project over a three-decade operating period rather than focus solely on the cost of constructing the asset. The value of a long-term DBFOM contract means ongoing maintenance and operations costs are considered and protected against budget cuts, ensuring a longer life for assets and a better quality experience for community members who depend on the asset.

Many municipalities are already doing this work; some have P3 policies in place; and several are actively engaged with the Council through our Municipal Engagement Advisory Group (MEAG) to explore existing challenges and opportunities in the procurement and delivery of large, complex infrastructure projects.

**Key Considerations:**

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

- **Leverage industry expertise:** The P3 model encourages long-term thinking and the inclusion and understanding of the costs after construction to keep municipal infrastructure in strong working order, thereby increasing its longevity and resiliency. The P3 Canada Fund demonstrated the potential for applying the P3 model to municipally owned assets. With the dissolution of the Crown corporation, a gap exists. Still, the knowledge of the fund remains within Infrastructure Canada and across provincial infrastructure departments and agencies, as well as the Council's private sector members, MEAG advisors, and other industry association partners. The Council recommends that the Government of Alberta directly engage the Council in the development and execution of its next generation of infrastructure programs/investments to support municipalities.
- **P3/Alternative Delivery Guidance:** Through MEAG, the Council would welcome the opportunity to work with the government and key municipal stakeholders to create a new suite of tools to support standardized approaches and analysis to determine procurement options.

**Recommendation 3: That the Government of Alberta evaluate the potential for P3 project bundling to maximize value and improve risk management.**

Building on the Province's recent success with P3 school bundling projects, the Council recommends exploring additional opportunities for upcoming schools. The bundling approach can also be used for the procurement of enabling infrastructure assets that are essential to supporting housing construction, such as water, wastewater and bridges.

Bundling, when incorporated into a single procurement, enables a beneficial P3 structure for similar assets across multiple sites, different assets at a single site, or diverse assets across multiple sites. For municipalities and Indigenous communities struggling to meet the infrastructure demands of growing populations, bundling presents an opportunity to reduce costs, transfer risk, expedite delivery and secure ongoing funding for operations and maintenance by ensuring the economies of scale to attract the private sector.

**Key Considerations:**

The Council recommends the Government of Albert consider the following:

**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 less interest from market-leading

consortia. In P3s, project bundling offers cost advantages through economies of scale, lowering design, construction, operation, and maintenance expenses.

**Risk Mitigation:** Distribute risks among stakeholders for more predictable project outcomes.

**Private Investor Attraction:** Attract private investors by bundling larger projects, fostering competition and favourable financing terms.

**Innovative Solutions:** Attract innovative solutions and technologies through bundled projects, allowing the public sector to focus on core functions.

**Enhanced Project Management and Delivery:** Improve project management, communication, and oversight through bundled P3 projects.

**Life Cycle Cost Consideration:** Optimize decision making for design, construction, and maintenance by considering lifecycle costs.

### **Project Bundling Examples:**

There have been several successful bundled P3 projects spanning large geographical areas, including:

- **SRO Housing:** Renovation of 13 hotels in various locations in Vancouver procured under a P3 DBFM model.
- **Saskatchewan Joint Youth Schools:** Design and construction of nine schools, procured under a P3 full DBFOM contract.
- **Ontario Provincial Police Modernization Project:** Included the design and build of 18 OPP facilities, procured under a P3 DBFM contract.
- **Ontario On-Route Public Service Area:** This project included 20 of Ontario's 23 highway service centers across Highway 400 and Highway 401 procured as a P3 DBFM contract.
- **New York Throughway Authority Service Centers:** Covered 27 service areas from New York City to Buffalo. This phased implementation brownfield refurbishment project was procured as a P3 DBFOM contract.

Recent examples of bundled bridge projects include:

- **North Commuter Parkway, Saskatchewan:** Two unrelated bridge projects were delivered under a single contract to gain significant economies of scale.
- **Pennsylvania Department of Transportation (PennDOT), United States:** Initiated two procurement bundles for bridges with similar underlying objectives. Phase One, the Pennsylvania DOT Rapid Bridge Replacement P3 Program, focused on 558 smaller bridges, including culverts across the state. In Phase Two, the Pennsylvania

DOT Progressive DBFOM P3 Project involved the replacement of nine major highway bridges throughout the entire state.

### 3. In Conclusion

On behalf of the Council and its Board of Directors, thank you in advance for consideration of these recommendations. The Council appreciates the Government of Alberta's commitment to public-private partnerships (P3s) as an important tool in delivering the Province's ambitious infrastructure agenda.

Building on strong working relationships with officials from the Ministries of Infrastructure and Transportation, the Council is committed to supporting the Government of Alberta. We emphasize our eagerness to actively participate in your Industry Liaison Committees, fostering the exchange of valuable insights and contributing our industry expertise and experience to further strengthen Alberta's maturing P3 market.

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'.

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