



Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

**By: The Canadian Council for Public-Private Partnerships
(CCPPP)**

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Public-Private Partnerships

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List of Recommendations

1. Strengthen Canada's Infrastructure Delivery with a Centralized Federal Hub for P3s and Major Projects
2. Providing Incentives to Encourage Provinces, Territories and Municipalities to Innovate
3. Explore P3s to Expedite and Transform Public Lands and Buildings for Social Housing to Tackle the Housing Crisis
4. Ensure Canada Remains Competitive: Addressing Retroactive Impacts of EIFEL Rules that will Hinder Infrastructure Financing

Executive Summary

Public-private partnerships (P3s) are a proven model that can help the Government of Canada deliver on its infrastructure and economic growth objectives to make Canada the strongest economy in the G7 more effectively and efficiently. As the country faces growing demands to modernize aging infrastructure, respond to climate change, and support population growth and economic competitiveness, P3s offer a powerful mechanism to quickly mobilize private capital, expertise, and innovation in the public interest.

Simply put, Canada's ability to deliver major projects and meet its housing and infrastructure targets depends on strengthening how we regulate, plan, finance, and procure public infrastructure. The federal government has a window to act decisively in Budget 2025.

The P3 Opportunity

P3s have broad public support – Polling by the Council, in partnership with Abacus Data, reveals strong public support for approaches that leverage both public and private expertise and capital. Canadians recognize the urgency of the infrastructure challenge and the limitations of traditional government funding programs in addressing these issues. Notably, 63% of respondents are not confident governments can cover the costs of building and maintaining infrastructure without raising taxes while 60% of Canadians favour a combination of government and private investments, and other resources to build, fund, operate and maintain public infrastructure in Canada. This demonstrates Canadians do support the P3 model.

Canada has a strong track record of leadership in P3 procurement – Canada is a globally recognized leader in P3s. For 30 years, the federal government, provinces, territories and municipalities have strategically leveraged P3s for large and complex infrastructure projects, recognizing the benefits of partnering with the private sector to deliver the best value to Canadians.

Governments across Canada have partnered with the private sector to deliver, operate, and maintain essential infrastructure, including hospitals, highways, airports, courthouses, bridges, schools and water and wastewater facilities. This has resulted in more than 300 P3 projects valued at over \$139 billion including: the federally owned Confederation, Champlain and Gordie Howe Bridges; the Sea-to-Sky Highway in British Columbia; the recent Cortellucci Vaughan Hospital in Ontario; and the Iqaluit Airport. In many cases, P3 investments have also contributed to the retirement security of Canadian workers, including trade union pension plans benefiting those who built the very infrastructure we rely on.

Looking ahead, there are significant opportunities for the federal government to continue leveraging the P3 model—not only for federally owned infrastructure assets but also through future

infrastructure policies and/or programs that incentivize provinces, territories, municipalities and Indigenous communities to consider P3s in delivering essential infrastructure and public services.

While P3s may not be the right solution for every infrastructure asset, they remain the *only* procurement option that enables governments to harness the discipline and expertise of private capital across the entire project lifecycle—including operations and maintenance. By leveraging private finance through the Design-Build-Finance-Maintain (DBFM) model, governments can stretch scarce tax dollars further, making more efficient use of private capital and improving community outcomes.

CCPPP Budget 2025 Recommendations

- 1. Strengthen Canada's Infrastructure Delivery with a Centralized Federal Hub for P3s and Major Projects:** Successful P3 models worldwide have demonstrated the value of adopting a programmatic approach rather than managing projects on an individual basis. Centralizing expertise enables the development of best practices, and the application of lessons learned across multiple initiatives.

This approach has been a hallmark of Canada's global leadership in P3s and resulted in significant growth in Canada's market between 2009 and 2015. This also marked a significant period of federal leadership in the space.

As the country embarks on a significant build agenda, both nation-building and community-based, centralizing P3 and major infrastructure knowledge and expertise is particularly beneficial, as it facilitates the harnessing of private capital and expertise for disciplined, long-term asset management.

Specifically, a centralized hub at the federal level would:

- Leverage the expertise of officials across federal departments (e.g., Infrastructure Canada) who influence and develop infrastructure policies impacting federal, provincial, territorial, municipal and Indigenous infrastructure project pipelines, as well as those engaged in federal infrastructure procurement (e.g., Public Services and Procurement Canada).
- Establish robust industry (domestic and international) stakeholder networks.
- Access advice from public and private sector experts experienced in delivering large, complex infrastructure projects.
- Improve internal efficiencies by fostering collaborative issue resolution, enhancing governance and contract management and creating the conditions for a transparent, vibrant and competitive Canadian infrastructure market.

- Provides confidence to market participants as they enter into long-term partnerships with governments.

The centralized hub could also work in close collaboration with the Canadian Infrastructure Council on their comprehensive assessment of Canada's infrastructure needs, employing an evidence-based, expert-driven approach focused on robust, long-term planning.

2. **Providing Incentives to Encourage Provinces, Territories and Municipalities to Innovate:** Canada's provinces, territories, and municipalities are facing growing and increasingly complex infrastructure deficits and needs that would benefit from a coordinated, long-term approach—supported by predictable federal investment, incentives and innovative delivery models.

In addition, budget pressures have resulted in cuts to operating and maintenance budgets and decades of deferred maintenance across the country – reducing the quality, service and lifespan of existing assets.

The Government of Canada should ensure that future infrastructure programs (grants and contributions) include Terms and Conditions that encourage recipient jurisdictions to demonstrate they have evaluated a variety of financing options, including P3s, as part of their funding application. This approach ensures that the Government of Canada acts as an 'informed investor,' confident that jurisdictions have thoroughly considered funding approaches while empowering them with the autonomy to select the procurement method that best meets their needs.

Specifically, the Council recommends that future program designs should ensure that:

- Terms and Conditions do not block alternative models and enable private capital and innovative delivery through eligibility criteria and costs; and
- Funding is boosted for models with O&M accountability (like P3s) where capital contributions for mid-life rehab can drive uptake.

3. **Explore P3s to Expedite and Transform Public Lands and Buildings for Social Housing to Tackle the Housing Crisis:** As part of Canada's housing plan, the federal government has prioritized opportunities to unlock surplus, underused and vacant lands, as well as surplus buildings, across the country to retrofit existing facilities or build new social housing. We encourage the government to explore how the Public-Private Partnership (P3) model could expedite the transformation of these lands and buildings for social housing initiatives at the federal, provincial and territorial levels.

By leveraging proven infrastructure delivery models, such as P3s, the government can effectively scale housing solutions. Specifically, community-building P3s—which integrate both housing and

infrastructure under a single delivery model—offer an innovative approach that the government can champion to accelerate affordable housing development nationwide.

As an example, British Columbia's Single Room Occupancy (SRO) Renewal Initiative successfully renewed, restored and transformed 13 hotels in Vancouver's Downtown Eastside using the P3 model. This project demonstrates clearly how a similar model could be applied to repurpose public surplus lands or publicly owned buildings.

- 4. Ensure Canada Remains Competitive: Addressing Retroactive Impacts of EIFEL Rules that will Hinder Infrastructure Financing:** The Council continues to advocate for an amendment to section 18.2 of the *Income Tax Act* to revise the *Excessive Interest and Financing Expenses Limitation (EIFEL)* rules to protect existing Canadian P3 projects, Canadian workers' pension funds and investors from negative retroactive impacts.

The amendments to the Income Tax Act enacted through Bill C-59, which encompasses the Excessive Interest and Financing Expenses Limitation (EIFEL), raises significant concerns for the Canadian P3 industry, including negative impacts to Canadian pension funds and, therefore, their respective beneficiaries and investors in these infrastructure projects. The Council has provided submissions to the House of Commons Standing Committee on Finance and the Minister of Finance, detailing specific but simple language changes that will protect the investments of Canadian pensioners and workers and continue to demonstrate that Canada is a competitive place in which to do business and invest. The consequences of this legislation coming into effect without these revisions have been immediate, compromising the financial security of everyday Canadian workers' investments and pensions. Unless fixed, these rules will retroactively penalize Canadian pension funds and P3s that have delivered public infrastructure for decades. That risks chilling future investment and undermining Canada's credibility as an infrastructure market.

Conclusion

On behalf of the Council and its Board of Directors, thank you in advance for consideration of these recommendations. The Council looks forward to continuing to work with Finance Canada, Housing, Infrastructure and Communities Canada and Public Services and Procurement Canada.

We are committed to sharing P3 procurement best practices and working collaboratively to modernize approaches, delivering critical infrastructure that fosters competition, maximizes private capital and ensures proper risk transfer to protect taxpayers.



If you have any questions or would like to explore these recommendations further, Council staff and membership are available at your convenience.

Sincerely,

Lisa Mitchell
President and CEO

About the Canadian Council for Public-Private Partnerships

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. Our mission is to collaborate with all levels of government and Indigenous communities to enable smart, innovative approaches to public infrastructure development and service delivery that achieve the best outcomes 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.