

2024 Nova Scotia Budget Submission

Submitted on: January 23, 2024

1. Executive Summary

The Canadian Council for Public-Private Partnerships (CCPPP/ the Council), on behalf of its nearly 300 private and public sector members, welcomes the opportunity to submit recommendations to the Government of Nova Scotia 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 a growing population and ambitious infrastructure strategy, Nova Scotia anticipates a significant pipeline of projects in the coming years. With several P3s already underway, the province is experiencing firsthand the benefits of this model for delivering complex public infrastructure projects.

Building on this experience, industry best practices, and insights from other jurisdictions, Nova Scotia has the opportunity to lead innovative infrastructure delivery, supporting the province's growing pipeline of projects.

Following the Council's recent opportunity to engage with senior officials responsible for the Government of Nova Scotia's infrastructure and transportation delivery, we have had an opportunity to reflect on a series of key considerations (outlined in **Section 3** of this submission) we recommend the Government of Nova Scotia implement through Budget 2024, including:

- **Recommendation 1:** The Government of Nova Scotia centralizes knowledge and oversight of large infrastructure projects, including P3s and alternative finance models.

- **Recommendation 2:** The Government of Nova Scotia supports municipalities and Indigenous communities in considering and applying P3s, where appropriate, to unlock the long-term benefits of the model and maximize infrastructure funding.
- **Recommendation 3:** The Government of Nova Scotia evolves procurement approaches to ensure early engagement with private-sector proponents, fostering a solutions-oriented procurement environment.

The P3 Opportunity in Nova Scotia

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. When employed appropriately, the model is a valuable tool for mitigating the expanding 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.

3. CCPPP 2024 Budget Recommendations

Recommendation 1: The Government of Nova Scotia centralizes knowledge and oversight of large infrastructure projects, including P3s and alternative finance models.

The establishment of Build Nova Scotia and the Joint Regional Transportation Agency under the purview of Public Works offers a significant opportunity for the Province to centralize knowledge, learnings, and best practices for executing data-driven, large infrastructure and transit projects – particularly P3s. Centralization has proven successful in various jurisdictions, such as Ontario (Infrastructure Ontario), British Columbia (Infrastructure BC), Saskatchewan (SaskBuilds), and Alberta (Alternative Capital Financing and Partnerships Office, Ministry of Infrastructure), serves as models the province can gain insights from.

The Council has observed that centralizing knowledge strengthens internal capacity, enabling the government to leverage the expertise of officials across departments, establish stakeholder networks, and seek advice from public and private sector experts with experience delivering large, complex infrastructure. This approach, particularly when considering the unique characteristics of P3 delivery models, facilitates evidence-based decision-making throughout project phases, from conceptualization to procurement, construction, operations, and maintenance.

Additionally, it fosters collaborative issue resolution, improves governance and contract management, and creates conditions for a transparent, vibrant, and competitive Canadian infrastructure market.

Key Considerations:

The Council recommends that the Government of Nova Scotia consider the following opportunities that may arise from centralizing oversight of large, complex infrastructure projects such as P3s:

- **Project Pipeline Disclosure:** Following Ontario's example (Infrastructure Ontario), the Council recommends that Nova Scotia identify and advertise upcoming

projects to signal readiness for new opportunities. This proactive approach aids in mobilizing the industry, especially in the current economic and labour market, where talent retention is crucial. This step will enhance Nova Scotia's infrastructure market competitiveness, identify early private sector partnerships, and retain skills and talent to get big projects built.

- **Inter-Jurisdiction Knowledge Sharing:** Centralizing oversight facilitates sharing project learnings and experiences among jurisdictions and with the industry. This knowledge exchange promotes collaboration and contributes to a collective understanding of successful practices and challenges.
- **Enhanced Contract Management:** Effectively managing P3 contracts requires additional resources for both the Project Company (Project Co.) and the public sector to ensure accountability and productive relationships. Emphasizing an "industrial owner" perspective for Project Co., streamlining routine processes, and active monitoring by public authorities, supported by increased central resources, are crucial for successful P3 contract management. This approach reduces disputes and enhances efficiency.
- **Improved Project Delivery Sequencing:** In navigating challenges such as labour shortages and supply chain disruptions in large infrastructure, including P3 project construction, centralization will allow public authorities better strategic planning and flexibility opportunities. This involves fostering collaboration with contractors, refining risk strategies, implementing alternative sourcing, and maintaining transparency with stakeholders through regular updates and open communication channels to ensure long-term project success.

Recommendation 2: The Government of Nova Scotia supports municipalities and Indigenous communities 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 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 and Indigenous communities 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 capacity issues. In particular, the use of the model will ensure municipalities and Indigenous communities 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 procuring and delivering large, complex infrastructure projects.

Key Considerations:

The Council recommends that the Government of Nova Scotia 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 Nova Scotia 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.
- **P3 Project Bundling to Maximize Value and Improve Risk Management:** For municipalities and Indigenous communities struggling to meet the infrastructure demands of growing populations, P3 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.

Recommendation 3: The Government of Nova Scotia evolves 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 to ensure 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 Alberta 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 and deliver 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.

4. 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 Nova Scotia's commitment to public-private partnerships as an important tool in delivering the Province's ambitious infrastructure agenda.

The Council is committed to helping the Nova Scotia government strengthen its growing infrastructure and P3 market and looks forward to ongoing engagement opportunities with Build Nova Scotia and the Joint Regional Transportation Agency.

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, appearing to read 'Lisa Mitchell', is written over a faint, light-colored signature line.

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