

**The Canadian Council for
Public-Private Partnerships**



**Le Conseil Canadien pour
les Partenariats Public-Privé**

**The Canadian Council for Public-Private Partnerships
2019 Federal Budget Submission to the FINA Committee**

Contact:

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To Clerk, Chair, and Members of the FINA committee:

The Canadian Council for Public-Private Partnerships (CCPPP) welcomes the opportunity to submit recommendations to the Federal Government for Budget 2019.

CCPPP has been supportive of the government's ambitious, long-term infrastructure plan that has record investments planned over the next decade. With agreements in place and funding allocated, Budget 2019 provides an opportunity to focus on policy driven initiatives to enhance Canada's status as a world leader in infrastructure delivery.

The recommendations below are a combination of CCPPP ideas as well as support for other initiatives that are ongoing by others with the assistance of CCPPP and its members:

1. Create a Project Preparation Facility for major projects

Many communities struggle with procuring and delivering major infrastructure projects, in particular, public-private partnership (P3) arrangements. In many cases, a P3 approach can lead to significant lifecycle savings and deliver higher quality infrastructure faster, on-budget, and longer lasting than traditionally procured projects. However, due to the costs of business case development, value for money assessments, and contract structuring, many communities decide against using a P3 approach because of the upfront costs, complexity, and lack of capacity, despite potential benefits.

The federal government should consider creating a **Project Preparation Facility** that would provide funding to communities to cover the cost of consulting and related advisory services (financial, legal, technical) to ensure project structuring and procurement best practices, in turn leading to best value for money invested in these projects.

Existing provincial procurement agencies - Infrastructure Ontario, Partnerships BC, and SaskBuilds - have the capacity, but other jurisdictions, notably municipalities and indigenous communities may not have the money or may be in a location where they do not have access to this expertise. The federal government has an opportunity to play a leadership role in ensuring all communities have the tools to make the best decisions possible on major infrastructure development. Canada has been a strong supporter of this type of facility internationally and is funding a similar initiative with the Asian Development Bank.

2. Create a First Nations Infrastructure Institute

Independent studies have found that the infrastructure deficit is as high as \$30-40B in First Nation communities. To help address this reality, the First Nations Tax Commission (FNTC) is proposing the creation of a First Nations Infrastructure Institute. The intent is to have a dedicated infrastructure institute that can help structure, procure, and deliver high quality infrastructure within First Nations communities.

This is a proposal that CCPPP strongly supports and believes is in line with the federal government's plan to devolve indigenous services to indigenous communities. We would encourage the government to also support this First Nations led initiative by providing the

necessary legal framework for the concept to proceed and to ensure that it has the necessary resources to be successful.

While we leave specifics to the FNTC to map out, our members have been providing strategic insights and advice on the proposal. It is likely the institution could be created within the Fiscal Management Act.

3. Improve northern and indigenous infrastructure funding and financing options

Funding formulas at the Federal level in many cases are per capita driven, which largely makes sense, but can have a detrimental impact on Northern and indigenous communities that cover vast geography, with small population bases. Needs based funding would be more appropriate in these instances, particularly for infrastructure programs where the construction cost is much higher than in urban, southern communities.

There are also opportunities to support Northern indigenous financing initiatives that can lead to greater investment in northern infrastructure. One such example is North35 Capital Partners, an Inuit-owned business and capital advisory firm that is looking to work with indigenous northern trusts, private investors, and governments to leverage hundreds of millions of dollars to invest in northern infrastructure. The federal government should consider participating in initiatives such as this because they could leverage federal investments to raise more money and keep rates competitive. At the same time, this approach can actually generate savings for government over the longer-term as private investment and indigenous own source revenue is utilized to build infrastructure that will grow the overall northern economy.

4. Incentivize high speed internet upgrades in concert with major infrastructure projects

Canada continues to lag behind other countries in gigabyte capacity, which threatens productivity and competitiveness. While understandable that Canada has geographical challenges other countries do not, there is more that can be done to improve our high speed networks.

The federal government should establish a minimum national goal of five gigabyte capacity. If achieved, this would enable remote communities to connect to broader social and economic opportunities. Equally important, globally competitive connectivity underpins our ability to attract talent from around the world. There is a real opportunity to marry Canada's infrastructure and innovation agendas to make Canada a leader for generations to come.

There is a practical, inexpensive initiative to achieve this goal where the Canadian government can play a leadership role. Major infrastructure projects, particularly horizontal infrastructure such as light rail transit, often provide the best opportunity to install fibre optic cable alongside at the time of construction. Rather than install fibre post facto as cities often do at great additional expense, CCPPP proposes the government adopt a "dig once" policy that would see all major infrastructure projects lay fibre at the same time as construction.

5. Address the labour shortage in the skilled trades

The government should be proud of its investments in infrastructure. However, with the record investments comes a challenge: the need for more skilled workers. There is no magic bullet solution to solve the skilled trades shortage in Canada, but there is a need to address this long-term critical issue nonetheless. Skills Canada estimates that nearly half the jobs created in Canada over the next decade will be in the skilled trades, yet only a quarter of young Canadians are considering a skilled trade in their post-secondary studies. This shortage has the potential to significantly impact the infrastructure sector, which could delay or increase the cost of projects over the longer term.

There is an opportunity to work with provinces and territories to align training programs with demand from the labour market, strategically invest in programs producing the best results, and further use the tax system to incentivize more young people into the skilled trades. In particular, there is an opportunity to work with indigenous communities where education and training gaps are still significant.

6. Support strategic investments in CCPPP activities

CCPPP is a national, non partisan, not-for-profit organization which operates independent from government. The Council does however undertake strategic initiatives that align well with federal government priorities. Rather than start from scratch, the federal government could capitalize on initiatives already underway by CCPPP, which with federal funding, could greatly expand their impact across Canada and around the world. Here are some examples:

A) APMG P3 Certification program:

CCPPP and Toraza Zenith Inc have partnered as the sole Canadian provider of the global APMG P3 Certification program. This is a P3 capacity building innovation of the World Bank in partnership with other multilateral development banks with the goal of increasing the level of training, particularly for public officials, with the view to ensuring better understanding of public-private partnerships and the adoption of global best practices. Together with Toraza, we are also developing a Canadian P3 Fundamentals program.

There is a real opportunity to help train federal, provincial, municipal, and indigenous community officials in the subject matter. The federal government could enter into a cost sharing arrangement to reduce the overall cost for public sector employees to enrol in this program with the longer term intention of achieving a P3 Certified designation.

B) Global Centre of Excellence

Canada today is globally recognized as having a “best in class” P3 procurement model. has become recognized as a world leading jurisdiction in infrastructure and public-private partnerships. Canadian expertise is in high demand and CCPPP already works closely with Global Affairs Canada and posts abroad aimed at assisting emerging markets in developing their own robust P3 procurement frameworks and positioning Canadian companies to successfully compete for those P3 projects that will follow. Currently, demand for Canadian expertise is exceeding the human and financial resources of CCPPP, but there are

partnership opportunities possible to expand activities that will open new opportunities for Canadian companies abroad and to attract foreign investment to Canada.

C) Evidence Based Research

The mandate of CCPPP is to work with governments and Indigenous communities across Canada to develop smarter and more innovative ways to deliver infrastructure and public services that achieve the best outcomes for Canadians. Independent, evidence-based research can make an invaluable contribution to this effort. With the federal government as a collaborative partner, CCPPP could undertake a far more ambitious research program, ensuring best practices in infrastructure planning, delivery, and management.

7. Continue to examine new opportunities and asset classes at the federal level

Though the federal government owns very little infrastructure comparatively to other levels of government, there are opportunities to utilize the P3 model as many of the assets that are owned, are large in size and complex. The government has a strong track record of success using the model for projects such as the Gordie Howe Bridge, Champlain Bridge, CSEC facility, and RCMP buildings, but other asset classes remain untapped. The CBSA border crossing facilities P3 is awaiting RFP and is a good example of finding new asset classes where the model can lead to better value and outcomes. Other examples of asset classes worth consideration for P3 opportunities include military infrastructure, energy projects, and government office buildings.

CCPPP is pleased to make this submission to the Finance Committee as it studies and carries out pre-Budget consultation. CCPPP is pleased to discuss any of the recommendations listed above and looks forward to participating in the process.

About Us

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, enabling 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.