

September 24, 2020

Ontario P3 Market Update – September 2020

In September of 2019, the Minister of Infrastructure announced a commitment to provide quarterly P3 Market Updates to industry. These more frequent updates add to Infrastructure Ontario's previous practice of providing market updates on an annual basis.

In June of 2020, we provided a comprehensive update including 37 P3 projects valued at more than \$60 billion. That update was an important affirmation of the Government of Ontario's historic commitment to P3s and public infrastructure generally, particularly in the midst of managing the unprecedented challenge of COVID-19.

This update primarily highlights changes to delivery models and timelines to projects listed in our Spring Market Update, along with select additional projects recently announced by the Government.

IO's P3 model is constantly evolving and improving to respond to market conditions and industry feedback to achieve the best possible bids from the market. We continue to participate in an ongoing healthy and productive dialogue with the industry as we move forward on this large portfolio of projects. These projects and the approaches we are taking with our partners represent a broader evolution of the diverse work IO is doing to support the government:

New approaches to contracting/procurement

IO continues to find solutions to the Province's needs in partnership with industry.

This includes embracing a broader set of contracting approaches, suitable to the characteristics and objectives of the projects we are asked to deliver.

Recent examples include:

- accelerated build for long-term care using an innovative approach to collaborative procurement and a construction management at-risk approach;
- an alliance delivery model for the Union Station Enhancement Project;
- a revised approach to the operator-led Go Expansion OnCorr procurement;
- an approach to subways projects that involves creating optimally sized packages, geared at specific technical expertise, with new processes to manage and incentivize integration between packages.

Simultaneously, we are seeking ways to promote a greater emphasis on technical and design quality in our evaluation process – honing our focus on schedule, innovation, design and delivery capabilities. Enhancements that will be reflected in upcoming projects include continued refinements to promote better dialogue and feedback during design presentation meetings, and increased flexibility in procurement scoring to balance between minimum technical scoring thresholds and financial price “gearing” in an effort to promote higher emphasis on technical and design quality.

New approaches to managing/mitigating risk

Our principle remains that there is great value in project risks being managed by those parties best able to manage them. As our projects become more complex, as industry conditions change, and as major unanticipated events impact our industry, we continue to evaluate the risk profiles of our projects to ensure that we are doing this consistently. We have worked with government in an attempt to reduce or mitigate those risks which have consistently hindered transit and transportation projects, such as third-party approvals and the relocation of utilities. We are also attempting to provide better and greater information at the time of an RFP in order to lower a project's overall risk profile accordingly. Finally, we are incorporating incentive structures, exposure limits, and greater shared mitigation of risks in an effort to strike the right balance of responsibilities across partners.

We have heard from our partners about the impacts of COVID-19 on construction – both here in Ontario and around the world. These insights, and our continuing dialogue, allow us to work with our partners within government. I would like to thank our Project Companies for their hard work in continuing to push projects forward, staying on schedule as much as possible while taking the necessary steps to protect the health and safety of workers.

Finally, I share the honour of releasing this Market Update with my long-time colleague Ehren Cory. As announced last week, I transition into his current role as IO's president and CEO starting November 1. I would like to thank Ehren for his exemplary leadership, partnership and support. I look forward to continuing to live the core values that our executive team set out under Ehren's leadership: attracting great people to our team, building great relationships with clients and partners, operating effectively on behalf of the people of Ontario and creating a culture of innovation and experimentation.

Thank You,

Michael Lindsay
Incoming President and CEO
Infrastructure Ontario