

Former Metrolinx CEO offers five pieces of advice for Infrastructure Ontario

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The founding CEO of Metrolinx says Ontario could enter a "golden age" of infrastructure if the province uses best practices to fund its projects.

Former deputy minister **Michael Fenn** wrote a [report](#) for the **Residential and Civil Construction Alliance of Ontario (RCCAO)** that looked at infrastructure procurement practices in the province. The study contains 23 recommendations for ways the province can improve project selection and alternate financing and procurement (AFP).

"The Ontario government faces an exciting challenge: adapting the current model to enable innovation to have a greater impact on price, utility and future adaptability," writes Fenn in his introduction.

Minister of Infrastructure **Bob Chiarelli** said he hadn't had a chance to read the report, but intends to discuss it with Fenn. The RCCAO sent the report along with a letter to the premier and her ministers Wednesday.

"I appreciate the report, that the association has taken the issue seriously," he told *QP Briefing*.

"What they appear to be asking for in the letter is to take a fresh look at innovative ways we can do our infrastructure. That is very relevant to what we're doing at this point in time."

QP Briefing spoke with Fenn to walk us through the report and some of the highlights it contains.

1. Infrastructure isn't just about the delivery mechanism

It's also about selecting the right projects, said Fenn.

"The building of infrastructure isn't just about which delivery method you use. An important ingredient is the planning and selection process."

Finding an efficient way to fund an inefficient project still isn't a prudent use of limited resources, in other words. Smart infrastructure planning starts with supporting projects that make sense.

2. AFPs are more expensive, but the premium can be worth it

Fenn acknowledged that AFPs can be more expensive on paper, which has been a [sore spot](#) for Auditor-General Bonnie Lysyk.

"There is indeed a premium to be paid at the margins for private finance and there is an additional

premium to be paid because you're doing a lot of due diligence."

But he argued that when they're thoughtfully structured they can pay dividends.

"But the experience of traditional procurement being over-budget and over-time subject to scope creep was so regular, so common, that the AFP costs were insurance against that happening, because the risks were transferred to the private sector in good P3 deals."

3. Make sure that private companies can control the risks they're managing

P3s are often about transferring risks from the public to the private sector for the appropriate price, and in many cases Fenn says this makes sense. But there are also instances where the private sector might not be able to control a particular risk, or the government is better suited to managing it in the first place.

"In other cases it makes sense for the risk to be retained by the public sector, because it's one over which they have much more ability to manage and the costs associated with transferring the risk to the private sector isn't justified under those circumstances."

4. Look at expanding the AFP model to municipalities

Fenn said that both mid-sized firms and cities could benefit by finding a model that works for their size.

"There is considerable opportunity for expanding AFP into the local government sector and into other areas and to make it available for bidding for mid-sized Ontario firms."

He added that there are high start-up costs and barriers to entry at this level, because they don't have the same scale as massive provincial projects. One possible solution, he says, is for municipalities to bundle similar projects together in a bid to lower costs.

5. In early stages, let people in design and finance get creative

"There is considerable potential for innovation that you wouldn't realize in the traditional procurement process," he told *QP Briefing*.

In some cases this can be design or technological innovation, or opening up the language in a proposal that invites alternate bids to solve a problem.

"On the private sector side, they may have solutions they've learned from previous projects," they've done in other jurisdictions, Fenn said. Opening up the process in the early stages to let some of that expertise in could help put downward pressure on costs, he said.