

Backgrounder



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Ontario's Alternative Financing and Delivery model is delivering projects on time and on budget

Infrastructure Ontario's History

Infrastructure Ontario was established by the Ontario government in 2006 to help deliver an ambitious infrastructure renewal program using the Alternative Financing and Procurement (AFP) delivery model.

The AFP model was initially applied to social infrastructure projects – mainly health care facilities that were very old and had not received major investments in years. Today, Infrastructure Ontario (IO) works with the public and private sectors to deliver not only health care and justice facilities but also post secondary schools, athletic facilities to support the Pan/Parapan American Games, transit and transportation projects.

The AFP model is helping to alleviate a backlog of aging infrastructure. Between June 2009 and May 2013, Infrastructure Ontario achieved substantial completion (a contract term that means a new asset is ready for use as intended and only minor work remains) on 30 AFP projects.

Measuring performance

In summer 2013, Infrastructure Ontario's staff hired MNP, LLP, an accounting firm, to assess the number of AFP projects completed on time and on budget; IO's effectiveness in developing project estimates; and its use of budgets set aside for unexpected changes (post contract contingency).

MNP concludes:

- 96 percent of AFP projects (29 out of the 30 projects reviewed) were completed below budget estimates.
- About 73 percent (22 out of 30) of AFP projects were completed on time or ahead of schedule.
- On average, only 52 percent of the funds (post contract contingency) that were set aside to address unexpected project changes/variations (caused by environmental, force majeure and natural disasters) were used.
- Once AFP projects' schedules and scopes are agreed to, a project is usually delivered on time and stays within budget.
- Infrastructure Ontario frees up unused budget amounts for other provincial priorities.

Other observations

- The period between RFP closing (when bids are received) and financial close (when the awarded contract is established) provides an important opportunity for Infrastructure Ontario to confirm a project's scope, make any value-engineering modifications, take advantage of innovations proposed by vendors, and to lock in financing rates.

- 6 projects were completed ahead of schedule
- 16 projects were completed on time
- 8 projects were completed behind schedule: six by three months or less and two by six or more months

Over the last seven years, Infrastructure Ontario has applied AFP to 83 major infrastructure projects (such as hospitals, post-secondary schools, justice facilities, roads and transit). In addition to managing the AFP delivery model, Infrastructure Ontario also manages one of the largest real estate portfolios in Canada, provides municipalities and eligible public sector clients with financing to renew public infrastructure, and leverages its private-sector expertise to manage major commercial transactions on behalf of the province.

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