

## Head Office

One Dundas Street West  
Suite 2000, Toronto, ON  
M5G 1Z3

## Siège de direction

1, rue Dundas Ouest  
bureau 2000, Toronto, ON  
M5G 1Z3



**Infrastructure  
Ontario**

October 14, 2021

# IO October 2021 Market Update

I am pleased to present IO's third Market Update for 2021. This quarter's listing of 38 projects in pre-procurement and procurement (totalling an estimated \$60 billion in contract value) builds upon Ontario's historic commitment in modernizing the province's public assets, including highways, public transit, hospitals, children's treatment centres, courthouses and correctional facilities. The list also includes 13 government-announced projects in early stages of planning, for which scope, timing and delivery model are still being determined.

## Evolving and Adapting Procurement

IO is recognized around the world for its success in delivering projects through its made-in-Ontario P3 program. It has earned that reputation by adapting and expanding on its approaches to suit the realities of a changing marketplace and the expanding and evolving infrastructure needs of government.

Four core objectives have always been at the heart of our P3 approach:

1. Creating competition and enabling innovation;
2. Allocating project risks to the right party and appropriately incentivizing/ensuring performance;
3. Taking a total lifecycle approach to assets – by integrating responsibility for the design, construction, and maintenance where possible;
4. Providing as much cost certainty as possible for taxpayers.

We continue to solve for these objectives even as we continue to refine and evolve our approaches in close conversation with our partners. Recent enhancements to our current set of P3 models include:

- We have maintained/increased proposal fees to help offset the cost of pursuit;
- We have capped exposure to certain risks (e.g. geotechnical) on relevant projects;
- We have amended our dispute resolution process to enable more mid-project arbitration and resolution of disputes;
- We continue to explore ways to reward innovation design in our procurements.

These enhancements will ensure that most of our non-transit project pipeline will continue to be DBF/DBFM models using the conventional approach to P3 procurement.

In today's Market Update, you will note that IO is confirming the use of a new, Progressive P3 procurement strategy for three of our hospital projects in pre-procurement. The introduction of the progressive approach is directly related to the characteristics of those three projects in relation to size or complexity, or their physically remote location. Similarly responding to the unique needs of particular projects, IO will continue to make use of different delivery models and contract forms when asked by government to solve for speed; for example, our recent rapid procurement and delivery approaches for Long-Term Care homes and Solicitor General capital projects.

IO was excited to introduce our new, collaborative approach to industry partners during a well-attended market information webcast two weeks ago. We thank many of those who attended for their thoughtful comments and questions. Your interest and insights will help us to refine our approach leading into its use – most immediately on the Weeneebayko Area Health Authority (WAHA) Health Campus project this winter.

A key facet of the progressive procurement strategy is the selection of a development partner, based on various attributes and criteria. IO and the partner will work in unison to define project requirements, design, pricing and risk, before entering into a final project agreement.

This progressive approach provides many benefits for government and taxpayers. It enables price certainty and strong risk allocation by continuing to leverage third-party, private capital in proportion to the risks being assumed by the private sector at the end of the development phase. True to IO's core objectives for delivering projects, the progressive strategy also continues to drive innovation and collaboration.

### **Health and Long-Term Care**

Renewing and modernizing Ontario's fleet of aging hospitals was central to the mission of Infrastructure Ontario as it began to deliver P3 projects. More than 50 completed healthcare projects later, we continue to support the province's health care commitments. In addition to the three Progressive P3 hospital projects mentioned earlier, 12 other health care projects are confirmed on this Update's pre-procurement section. Last week we issued the RFQ (BF) for the Trillium Health Partners Broader redevelopment – Queensway Health Centre. The New South Niagara Hospital RFP (DBFM) will be issued shortly, and the Kingston General Hospital Redevelopment project (DBF) is targeting a Spring 2022 RFP. The Hamilton Health Sciences West Lincoln Memorial Hospital (DBF) is on track for contract execution in Spring 2022.

### **Transit**

Building on the experience of the collaborative Alliance model in use for the Union Station Enhancement Project, IO's partnership with Metrolinx to expand the GTHA's network of public transit continues to advance and evolve. Last month, Metrolinx and IO launched the RFQ for the Scarborough Subway Extension – Stations, Rail, and Systems project, introducing a Progressive Design-Build approach. Like the Progressive P3 procurement strategy being introduced on hospital projects, the subway extension procurement includes the benefits of working with a partner on design work, addressing and avoiding considerable contract risk prior to signing a final contract to deliver the project. Following considerable discussion and consultation with industry, this complex, multi-billion-dollar project will be contracted as a targeted price versus the fixed price of our P3 models.

Like our contract packaging strategy for both Scarborough Subway Extension and Eglinton Crosstown West Extension, we expect to take a multi-package staged approach of delivering the Yonge North Subway Extension. That work would begin with an advance tunnels package that we expect to be procured using a classic DBF contract. Pending government approval, our hope is to have the RFQ for that procurement in market early next year.

We take pride in incorporating market trends and the requirements of our partners and project owners in order to find the right approach to each project. We and Metrolinx hope to provide further updates for other transit projects in the pre-procurement stage by our next Update.

## **Transportation**

The government recently opened Highway 427's new extension and expansion. As we complete such projects, new ones begin. In June, we launched the procurement for the DBF expansion of Highway 3.

## **Managing, Enhancing and Developing Ontario's Real Estate Assets**

One of IO's core services is to manage the Ontario government's general real estate portfolio of buildings and lands on behalf of the Ministry of Government and Consumer Services. More than 60,000 Ontario public service employees work in facilities within the portfolio. This portfolio includes more than 4,400 buildings, more than 85% of which are special purpose buildings such as courthouses, detachments and laboratories. IO also directly manages 194,000 acres of land, including building properties, hydro corridors and land banks.

IO currently outsources the delivery of services for that portfolio including small works, facilities management, building condition assessments, landlord management, lease administration, transaction services and smart buildings. The current Property and Land Management Services (PLMS) contract for that work is nearing expiry. IO is now initiating 2 competitive procurements to select service providers for the next generation of Real Property Services as well as Transaction Services.

## **High-Speed Internet**

We are also proud to play a key role in the Government's commitment to connect all Ontario communities to high-speed internet services by 2025. Last month, IO issued an RFQ inviting Internet Service Providers (ISPs) to compete in a unique bidding process. In the RFQ phase, IO will qualify ISPs based on their relevant capacity and deployment experience to deliver high-speed internet in Ontario. ISPs that qualify will be invited to in a staged bidding process to provide high-speed internet to underserved regions across the province. That RFP process is expected to commence later this Fall.

Like so much of our work, the competitive bidding process we designed for high-speed internet leverages lessons learned over more than a decade of delivering P3s. Like so much of our work, it solves for many of the same four objectives that are at the heart of our work.

Our partnerships, our innovation and our entry into more direct engagement with local communities lie at the heart of our vision to create a connected, modern and competitive Ontario.

Thank You,

Michael Lindsay  
President and CEO  
Infrastructure Ontario