

CDAO

Construction & Design Alliance of Ontario

June 21, 2018

Association of Registered
Interior Designers of Ontario
www.arido.ca

Building Industry & Land
Development Association
www.bildqta.ca

Consulting Engineers
of Ontario
www.ceo.on.ca

Mechanical Contractors
Association of Ontario
www.mcao.org

Ontario Association
of Architects
www.oaa.on.ca

Ontario Electrical League
www.oel.org

Ontario General
Contractors Association
www.oqca.ca

Ontario Home
Builders' Association
www.ohba.ca

Ontario Road
Builders' Association
www.orba.org

Ontario Sewer & Watermain
Construction Association
www.oswca.org

Ontario Society of
Professional Engineers
www.ospe.on.ca

Residential Construction
Council of Ontario
www.rescon.ws

Residential and Civil
Construction Alliance
of Ontario
www.rcca.com

Surety Association of Canada
www.surety-canada.com

Mr. Doug Ford
Premier Elect
Main Legislative Building
Rm 381, Queens Park
Toronto Ontario M7A 1A8

Dear Premier-Elect Ford:

Re: Reducing Infrastructure Costs by \$1 Billion

When we met on April 13, 2018, we discussed the challenge of reducing the cost of Ontario's infrastructure investment. The Construction and Design Alliance of Ontario (CDAO) has identified opportunities to cut infrastructure costs by at least one billion dollars a year. This can be done without reducing the value of the investment that supports the robust pipeline of projects that supply quality services in our communities and the transportation of goods and people.

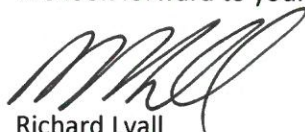
The traditional project delivery process has become inefficient and expensive. By streamlining the approval process, improving the quality of design, focusing on quality documents, procurement systems, and the risk transfer approach, we will not only save money, but projects will be delivered early, and be less subject to litigation.

As you know, the CDAO, through its 14 member associations, has a mandate to promote fair and competitive procurement with a focus on delivering value for money. We engage government and its agencies to provide information and advice on delivering infrastructure in an effective manner. The election of your PC government provides a unique opportunity to reform the process and deliver much greater value for the Ontario taxpayer.

The attached document provides greater detail about initiatives that, if acted upon immediately, will begin to produce a billion dollars in real savings for the next fiscal year.

We welcome an opportunity to meet with your team to develop this plan. CDAO has the expertise in our organizations to provide the support this initiative requires.

We look forward to your response.



Richard Lyall
Chair, CDAO

The Construction and Design Alliance of Ontario (CDAO) is comprised of 14 member associations that have mandates related to Ontario's infrastructure. CDAO members support fair and competitive tendering practices. Our members are a valuable resource to all levels of government.

All CDAO member associations agree that long-term infrastructure planning and investment, as well as fair procurement practices and regulatory streamlining, are critical to strengthening and growing Ontario's economy.

1. Long-Term Infrastructure Planning and Investment in Ontario

Infrastructure has risen to the top of the political agenda, not only in Canada, but around the world due to its importance in achieving multiple policy objectives such as providing essential services like transportation systems to move goods and people, improving the environment and delivering high quality education and health care. In Ontario alone, there is a combined federal and provincial commitment to invest over \$200 billion over the next dozen years. Infrastructure investment is estimated to support 11% of Ontario's real GDP growth over this period and will provide thousands of well-paying jobs to middle-class Ontarians.

A long-term infrastructure commitment, combined with an evidence-based approach to select projects, is essential to achieving these growth objectives. Conversely, volatility in government spending diminishes Ontario's prospects and makes the province a less attractive place for private-sector investment.

Infrastructure investment requires strong leadership by the Province and collaboration with the municipal and private sectors, with the support of and to the benefit of the public.

In CDAO's discussions with Infrastructure Ontario (IO), the Alliance has stressed the importance of a robust pipeline of projects. If large-scale investments in core infrastructure like roads and transit, hospitals, water treatment plants and underground infrastructure are uncertain, it makes it difficult for construction and design firms to properly plan for future projects and to expand operations. Consulting firms, are likely to take on more international work, leaving local firms short-staffed. Skilled trades could move to another jurisdiction where there is more opportunity or could exit the workforce. In an uncertain environment, it becomes even more challenging to attract young people to construction and design careers, exacerbating the existing generational gap.

CDAO is aware of the fiscal challenges facing the Province. We anticipate that the Canadian Infrastructure Bank (CIB), will provide another alternative to deficit-financing and tax increases. We acknowledge though that not all projects will be suitable for the CIB. For the CIB program to be successful, projects will have to have revenue-generating potential. For example, placing tolls on roads and bridges. Strong political leadership will be required for this to happen along with evidence to support why revenue-generation is necessary to make improvements to the lives of working Ontarians by addressing congestion or to support future investments and maintenance.

2. Public Procurement of Design & Construction Services in Ontario

Ontario's infrastructure is critical to the well-being of our Province and to the well-being of the citizens that live in it. CDAO members are responsible for designing and constructing this infrastructure for the public good. For our industry to do that, it is vital that there is a public procurement system that supports this collective goal.

A Procurement system that is fair, transparent and efficient while supporting innovation reflects several key principles which include:

1. Use of Standard Industry-Recognized Documents;
2. Minimal Supplementary Conditions;
3. Understanding our Roles and Responsibilities, appropriate allocation of Risk and the Public Interest;
4. Quality Based Selection (QBS);
5. Qualification Systems; and
6. Different Procurement Models.

Use of Standard Industry-Recognized Documents

Industry standard documents are developed through a consultative process with representatives from all sectors of the construction and design industries. These consensus-based documents carry the endorsement of our industries' constituent organizations. They are resources for client groups, including governments. They are fair and balanced and designed with the public interest in mind. **It is important that standard documents are used in procurement processes.**

Minimal Supplementary Conditions

Notwithstanding the availability of standard documents, we understand that there will be client and project-specific situations where there may be a need for supplementary conditions in an agreement. However, supplementary conditions should be exceptional, not frequent and **supplementary conditions should always be kept to a minimum.** This helps maintain a healthy balance of roles, responsibilities and risks between parties.

Understanding our Roles and Responsibilities, appropriate allocation of Risk and the Public Interest

In any procurement system industry providers must understand their roles and responsibilities. They must also accept a certain amount of risk. Clients must do the same. Industry is increasingly asked to take on additional risk, which in some cases would actually invalidate their liability insurance. **Roles and responsibilities should be clear. Risk should rest with the party best able to manage it.** The design and construction sector is constantly faced with RFP requirements and contract language that transfers an unreasonable amount of risk and liability. In some cases, the risk cannot be managed or insured which puts the project in jeopardy, denying the public the benefit of infrastructure investment.

Quality Based Selection (QBS)

Too often in procurement "lowest price" and "best value" are used interchangeably. Lowest price is not necessarily best value and professional services cannot be procured like commodities. **The best way to effectively obtain design and building services is through a Quality Based Selection (QBS) model.** QBS is a procurement process for the competitive selection of services under which the most appropriate professional or firm is selected based on qualifications rather than based solely or primarily on fees.

Qualification Systems

An optimal prequalification process allows for the entry of new players and generally results in good pricing. Unfortunately, current processes don't always stay focused on industry standard forms and criteria. **Qualification systems should focus on consistent technical criteria and prequalification processes should be flexible enough to prevent unreasonable exclusion and encourage participation.**

Different Procurement Models

It is worthwhile to point out that Ontario's P3 model – Alternative Financing and Procurement (AFP) has an important due diligence component and places the responsibility for cost overruns and delays on the private sector, rather than on taxpayers. However, there is a place for traditional procurement and CDAO members advocate that no one size fits all approach to procuring infrastructure projects.

3. Regulatory Streamlining

Ontario needs a modernized development approvals process and faster building innovation, while maintaining high planning and building safety standards. While site plan approvals under the Planning Act, should be one month, a 2013 Bousfields-Altus study reported approval times of nine months. In 2018, Altus updated that analysis and estimated the indirect costs of site plan review amounts to roughly \$1.2 billion per year, Ontario-wide. A 2017 Residential Construction Council of Ontario (RESCON)-Ryerson study reported a two-year timeframe for residential projects. Toronto's development approval process efficiency is ranked at 54th of 190 countries, by a World Bank report, mainly because of slow site plan approvals for a simple project like a warehouse building.

CDAO member, RESCON, working with a team of key regulatory and industry stakeholders, is completing a report to be released in mid-June. This report will outline good practice concepts to help Ontario streamline approvals for routine development projects and for projects involving innovative building technologies, while achieving high levels of regulatory compliance.

Firstly, because industry plays a key role in compliance, it is essential that Ontario's regulatory system is completely transparent regarding agency requirements and procedures. This allows industry professionals to submit complete, compliant applications as "partners in compliance". Developers want to know the requirements up front, rather than having to deal with multiple submissions, changing requirements and last-minute surprises. When industry applications are complete and compliant regulatory agencies can shift to more of process management and expert audit role, thereby reducing red tape.

Secondly, efficient, client-centric regulatory agencies need to be linked together with the latest, state of the art, digital e-permitting technology for fast, seamless interagency communication and better service to industry.

The report's goal is to help move Ontario from 54th to the top 10 in regulatory system efficiency. The report's recommendations call for the province to support:

Efficient, transparent regulatory agencies through a "Transparency Bill"

This bill would require all development and building approval agencies to comply with a "transparency checklist" and modernized service delivery timeframes. The report calls for establishing a working group to recommend risk-based, proportional timeframes for approval bodies.

Comprehensive electronic-permitting

Several Ontario municipalities have started to lead the way with e-permitting systems – but these are not “state of the art” systems like Singapore’s CORENET. Singapore’s system includes integrated 3D BIM (Building Information Modelling) and GIS (Geographical Information System) technology that can process digital 3D models through a “one window” portal to all key approval agencies. With Singapore’s paperless system industry professionals experienced significant savings: 65% (time saving); 44% (man-power saving); 72% (printing cost saving); 54% (storage saving). Regulatory agencies experienced similar benefits. Singapore, and all G7 countries, except Canada, have a national digital strategy.

Compete professional submissions

An efficient, innovation-friendly regulatory system requires complete and compliant professional submissions. This reduces red-tape by allowing building departments to move from a hands-on management role to an expert auditing role. Complete submissions include documentation assuring that work by multiple professionals (e.g. structural, fire, architectural) is coordinated during design and construction. The coordinated professional idea builds on work already underway by a joint working group of engineers and architects implementing recommendations from the Elliot Lake Inquiry recommendations to improve safety.

Full implementation will take time, but the province can start the process by supporting more transparency, supporting digitization and e-permitting as in other G7 countries, and by supporting the move to a more client-centric regulatory culture among regulatory authorities with service delivery timeframes that are actually enforced.

Summary

By having a long-term infrastructure planning and investment approach (incorporating the private sector and revenue-generating options where appropriate), a transparent and efficient procurement system, and regulatory streamlining, all Ontarians can reap economic, societal and environmental benefits that both new and renewed infrastructure will foster.

CDAO member associations stand ready to partner to work with the Province to design and build the infrastructure that Ontarians need.

Respectfully submitted

Richard Lyall
Chair, CDAO