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Bundling bridge projects for P3s tied to big savings for towns, counties

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administrator

A report commissioned by the Ontario Good Roads Association and the Residential and Civil Construction Alliance of Ontario to be released Thursday says that Ontario's smaller and rural municipalities may have a new tool for maintaining or replacing dilapidated bridges and drainage culverts: Bundling numerous smaller projects into one contract and using alternative finance procurement (AFP, used heavily by Infrastructure Ontario in projects like the Eglinton Crosstown) to both lower the costs of bridge maintenance and commit municipalities to the kind of asset management plans the province is asking them to.

The report, written by MMM Group and funded in part by the Ministry of Transportation, finds that municipal governments could save between 13 and 20 per cent on bridges and culverts using the bundled AFP model. As the province and rural municipalities struggle with the established fact of Ontario's infrastructure deficit, saving one dollar out of every five has an obvious appeal. The report, drawing on work from Infrastructure Ontario, says the key to making AFP methods effective is creating projects with at least \$50 million to \$100 million in value to justify the expense for private companies to bid on the work. The problem is that for smaller municipalities, no single project they have is worth that much.

"Obviously, the scale is the main issue from the traditional AFP point of view," says OGRA manager of policy and research **Scott Butler**. "Most municipalities don't have capital projects of that scale, most of them don't have capital budgets of that scale."

That means that municipalities will have to pool their workloads to attract private capital, says Butler. "I think in order for it to be feasible, there's going to need to be a new sense of collaboration between municipalities."

The OGRA and RCCAO report looked at the 635 road structures in Wellington County, using the county as a proxy for rural Ontario generally to see what the potential for bundled AFP contracts might be. Aside from finding that so-called "design-build" contracts could work for bridges and culverts in Wellington County, the report also finds that there are problems with incomplete or non-standard data, even in "proactive municipalities" like Wellington County's.

Pat Vanini, executive director of the Association of Ontario Municipalities, hadn't read the

report when reached by *QP Briefing*, but said there's been substantial work on bundling and pooling building projects throughout Ontario.

"The concept of bundling and pooling have been around for quite a while," says Vanini. She warns, however, that neither bundling nor AFP will be a cure-all: The state of Ontario's rural infrastructure is such that even well-structured AFP deals and intelligent procurement policies are at the mercy of the weather.

"You get an investment plan that says what you need to do on capital and maintenance, but what we saw this summer was some really awful climate impacts that turned their asset management plans on their heads." The point, says Vanini.

Nevertheless, municipalities may be open to the recommendations from the report. The Eastern Ontario Warden's Caucus recommended in August¹ that member townships explore "possible cost savings through collaborative action," for example, reducing costs through larger tenders and equipment sharing.

Butler says that aside from the potential savings, one of the other key findings in the report is the need for more standardized data management across municipalities.

"There's a need to standardize the data," says Butler. "We need to understand what a bridge to be in Wellington North is the same as what we understand it to be in Guelph-Eramosa."

"Without that universal data standard in place, it unnecessarily muddies some of the knowledge we're gleaning from this," he says. That muddiness makes it riskier for private companies to bid on these kinds of projects - and that risk means more expenses for taxpayers in the end.

References

1. www.eowc.org/en/mediareleases/resources/municipalinfrastructure-eowcwhitepaperv5august182013.pdf