

Fenn report calls for expansion of IO's AFP model

by Don Wall Oct 4, 2017

A new report on the future of large-scale infrastructure planning and delivery penned by one of Ontario's most respected project delivery consultants recommends an expansion of the Alternative Financing and Procurement (AFP) system pioneered by Infrastructure Ontario (IO).



RCCAO report author Michael Fenn talked about The Hudson Yards project in New York City as innovative in several ways, with land use planning and transportation planning well integrated.

A former deputy minister in several provincial ministries and the founding CEO of Metrolinx, Michael Fenn was commissioned by the **Residential and Civil Construction Alliance of Ontario (RCCAO)** to study the growth potential of the AFP model in the context of growing international respect for IO's track record over the past 10 years as well as pledges by the federal and Ontario governments to spend \$200 billion on infrastructure over 12 years, said Andy Manahan, RCCAO executive director.

Fenn's report, issued in September, concluded, "In most cases, the added cost of AFP can be justified as reasonable insurance against recurrent cost overruns, project delays and poorly conceived projects."

Expanded use of the AFP model by a wider roster of project owners has the potential to deliver more projects more innovatively, the report said, with principles extended to traditional procurement models and with new types of project delivery contemplated, such as the bundling of bridges and schools.

"The report pointed out quite rightly, innovation is more than lowering financing costs," said Manahan. "Once we show there are advantages to using the AFP approach over traditional procurement there is a possibility that there will be more take-up by municipal governments, so that is an important direction." Fenn called for an integrated approach to infrastructure planning that takes the process beyond narrow project planning within isolated ministries such as transportation, health and education, to pursue such goals as city-building and broader economic

development. Further enhancing the process, he said, if the private sector gets more involved through the AFP process, the expertise found in financial firms and construction companies can be harnessed to create bolder, more complicated projects.

"We have a lot of very talented people in government, and capable, and dedicated, but that is not the same thing as being an expert in some of these areas," Fenn said in an interview. "If you have the responsibility but you don't have all the talent you need to do the analysis properly, you are not going to achieve the results you are trying to achieve."

Fenn's report offers 23 recommendations and findings.

Among them:

- The Ontario Cabinet should distinguish and sequence its infrastructure planning, its capital planning and its consideration of the capital component of its annual operating budget.
- On balance, the relatively higher cost of AFP is offset by reducing the risks of cost overruns due to project "scope-creep", overdue delivery, change orders and deficient delivery.
- Adopting IO's approach or using IO as a contract manager on procurement might offer a bridge between full-blown AFP and traditional municipal procurement.
- Innovation in AFP could translate into potential multi-billion-dollar savings across Ontario's emerging Long-Term Infrastructure Plan, while advancing social, environmental and economic goals.

Fenn said the AFP process has matured over IO's decade in operation and as with any maturation process, there should come improvements and refinements. With IO's help and using the standardization that has been developed for uncomplicated projects, the time is ripe for municipalities to start using the process for "generic work," he said.

As the new federal Canada Infrastructure Bank begins operation over the next year, Fenn sees an opportunity for it to undertake analysis of major infrastructure projects across the country as part of its best practices function.

Manahan expressed his approval.

"Once we start building up that database, we can learn a lot from it," he said. "We should be able to say, here are some ways we could encourage innovation in more projects, whether in transit or whatever."

The report suggested Ontario needs "an explicit process for dealing with private-sector sponsored public infrastructure proposals, such as those being advanced for the Canada Infrastructure Bank for unsolicited bids."

Fenn commented on Quebec's Caisse de depot plan to build a \$5-billion automated train system, saying such a case calls for flexibility and forward thinking by decision-makers.

"If an attractive proposal doesn't fit into the infrastructure plan, you either decide you can't accommodate it because it doesn't fit into your plan, or you can decide you will pick it up even though it isn't part of your plans just because it is there and ready to go, just because it has the financing in place," said Fenn. "Neither of those things would be the right approach to take."



The Hudson Yards project extends the New York subway system into a new part of Manhattan and is paid for through development revenues, with no taxpayer funding contributed.