

ONTARIO 360 – INFRASTRUCTURE POLICY – TRANSITION BRIEFING

A new Ontario Infrastructure Centre of Excellence to bring greater evidence to infrastructure policy

Issue

The Ontario government is making historic investments in the province’s infrastructure. These investments are critical to the long-term economic growth as well as quality of life in the province. But there remain obstacles to realizing the full public benefits of these large-scale investments – including sub-optimal project selection, cost overruns and project delays, and minimal ongoing monitoring of project outcomes. The incoming government will need to address these issues if the province is to fully realize the benefits of Ontario’s Long-Term Infrastructure Plan.

Overview: Infrastructure spending in Ontario

The Ontario government launched its Long-Term Infrastructure Plan in November 2017. It sets out \$190 billion as part of a 13-year infrastructure investment program to be matched by unprecedented infrastructure spending by the federal and municipal governments. The plan involves investments in a wide range of infrastructure assets – including hospitals, schools, public transit, roads, bridges, and so on.

The upshot is Ontario is in the midst of the largest infrastructure building boom in a generation. This is a positive development. After decades of underspending and neglect, there is a dramatic need for investment in all types of infrastructure to meet the current and future needs of a growing population. Indeed, infrastructure investments can have profound impacts on the future direction of Ontario and the quality of life in the province. Infrastructure provides the underpinnings for prosperous, inclusive and environmentally sustainable communities.

PROJECT PRINCIPALS

Sean Speer
Project Director,
Ontario 360

Peter Loewen
Director,
School of Public Policy
& Governance

Rudyard Griffiths
Project Chair,
Ontario 360

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& Governance

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Canada

The need for reform

Despite the well-documented benefits of infrastructure investment, however, infrastructure projects in Ontario are plagued by three interrelated challenges that diminish the public benefit of infrastructure spending. First, high quality evidence on the merits of proposed projects is not always collected and released publicly before projects are politically approved. The result of a project selection process that often puts political considerations ahead of careful evidence-based planning is that billions of dollars have been spent over the years in Ontario on projects that will not deliver sufficient public benefit to outweigh their costs. At the same time, many worthwhile infrastructure projects go unfunded. Second, large public infrastructure projects in Ontario can experience large construction cost overruns and schedule delays. This wastes public funds and undermines public trust in governments to responsibly deliver critical infrastructure. Third, there is limited systematic monitoring of infrastructure project outcomes. Once projects are completed, governments, industry and key stakeholders tend to move on to the next big exciting initiative, without methodically learning lessons from what worked and what did not in previous projects.

How to move forward

There is no magic bullet solution to this triumvirate of pitfalls with infrastructure project planning and delivery. However, one strategy that has proven successful internationally and should be developed by the Government of Ontario is the creation of an Infrastructure Centre of Excellence with a mandate to independently apply evidence-based policy techniques to improve project planning and execution in the province. The Ontario Infrastructure Centre of Excellence could be built on the models and services provided by Infrastructure Australia and the United Kingdom's Infrastructure and Projects Authority, and it will complement the project delivery mandate of the provincial agency Infrastructure Ontario. The new agency might cost on the order of \$20 million per year for agency staffing and operations based on international experience, which is a relatively small amount compared to the \$14 billion per year the Ontario provincial government is targeting to spend on infrastructure for the coming decade.

The Ontario Infrastructure Centre of Excellence could be formed as an independent crown agency of the Government of Ontario, and operate a suite of programs focused on enhancing evidence-based decision making, project delivery and learning from project outcomes.

Evidence Based Project Assessments: The Ontario Infrastructure Centre of Excellence will develop a standard business case methodology for assessing the benefits and costs of large infrastructure projects with capital costs in excess of \$100 million in Ontario. All government departments and municipalities seeking provincial funding for a project over this cost threshold will be required to evaluate their proposed projects using the standard project assessment tool and submit the report to the Ontario Infrastructure Centre of Excellence. The Infrastructure Centre of Excellence will then evaluate the quality and strength of the evidence included in the project sponsor's business case and post a recommendation publicly on their website about whether the project warrants funding based on the technical merits. This system is designed to increase the transparency of the evidence upon which infrastructure decisions are made, and provide all stakeholders with independently verified information that can be used to debate the qualities of a project.

Project Cost Peer Reviews: Internationally, one successful technique developed to mitigate project cost overruns and delays is the application of independent peer reviews of key project documents during the planning process. Independent peer reviewers may catch errors in the forecasts, and project promoters are less likely to produce overoptimistic or misleading estimates when they know their work will be scrutinized by an independent agency. Building on this approach, prior to final approval of provincially funded projects over \$50 million, the Infrastructure Centre of Excellence will conduct independent assessments to validate the cost and construction schedule estimates. These assessments will be posted online, using a traffic light system where green signifies a high degree of confidence in the estimates, amber demonstrates cause for concern, and red means project estimates are likely inaccurate and require further revision.

Project Outcome Reviews: The Infrastructure Centre of Excellence will serve as a hub for data to be collected on project outcomes across the province.

Standard definitions will be developed for information on project construction costs and contractor performance, facility usage, environmental efficiency, and long-term maintenance. Big data analytical tools will be developed to identify patterns and trends that can inform the management of future projects, while case studies will draw lessons from completed projects.

Project Management Skill Development: An infrastructure leaders academy will be created to train front line public sector project managers in the most current theories and practices for effective project planning and delivery. In the United Kingdom, the creation of such a training program has improved project delivery performance. Additionally, the Infrastructure Centre of Excellence will serve as a key forum to convene provincial, municipal and Indigenous community project managers, in order to share experiences and learn lessons from across Ontario

Overall, the purpose of the Ontario Infrastructure Centre of Excellence is to amplify the benefit of the vast array of infrastructure projects being proposed in the province and ensure that value for money is achieved. In order to get the most out of Ontario's largest infrastructure spending program in a generation, the Government of Ontario should create an Infrastructure Centre of Excellence that can support evidence-based policymaking and project delivery.

Matti Siemiatycki is an Associate Professor and Canada Research Chair in Infrastructure Planning and Finance at the University of Toronto