

Minister of Infrastructure
and Communities



Ministre de l'Infrastructure
et des Collectivités

Ottawa, Canada K1P 0B6

The Honourable Kevin Sorenson, P.C., M.P.
Chair of the Standing Committee on Public Accounts
House of Commons
Ottawa, Ontario K1A 0A6

JAN 12 2019

Dear Mr. Sorenson:

The Government of Canada welcomes the occasion to respond to the Standing Committee on Public Accounts report titled “Report 4, Replacing Montréal’s Champlain Bridge – Infrastructure Canada, of the 2018 Spring Reports of the Auditor General of Canada.”

The New Champlain Bridge project is one of the largest infrastructure projects in North America. The New Champlain Bridge, with an estimated lifespan of 125 years, will be a key piece of infrastructure in the regional economy and will contribute to the economic prosperity of the neighbouring communities, the City of Montréal and Canada as a whole. The project will ensure continued safety and service, promote economic growth, provide value for money for Canadians and foster sustainable development and urban integration. The Government of Canada is committed to delivering a world-class project and will continue to exercise diligence and oversight to ensure that the project is delivered as soon as possible without compromising the safety of workers and the public, and ensuring sound management of taxpayers’ money.

As the Committee highlights, large federal infrastructure projects such as the New Champlain Bridge project should be well managed. The Government of Canada is committed to managing its federal infrastructure projects effectively, efficiently, fairly, and transparently. The procurement of critical infrastructure such as the new Champlain Bridge requires long-term planning and transparency at the earliest stages of a project to account for the full scope of a project and costs. It is clear from the Auditor General’s report that the previous government waited too long to decide to replace the existing bridge, and made its decision about the procurement model based on inadequate information. This effectively added costs to maintaining the existing bridge and compressed the timeline for the construction of the new bridge. As of November 2015, these challenges have been clearly articulated and addressed in a transparent manner and in partnership with the private project proponent, Signature on the Saint Lawrence (SSL). The Government of Canada will examine what went well and what could be improved in the procurement of future large infrastructure projects.

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For instance, in addition to collaborating with The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) on a life cycle asset management plan, completing a benchmark study, and producing a report on the tolling change, several of the Committee's recommendations will be responded to by completing a best practices and lessons learned exercise. This will result in new approaches and processes for future infrastructure projects. A repository of best practices and lessons learned, in addition to historical project data, will be built stored in a central location available to federal partners. The results of the exercise will be communicated to departmental decision-makers and Public Services and Procurement Canada (PSPC) for use in future federal infrastructure projects.

I am pleased to outline below how the Government of Canada's approach to building Canada's infrastructure responds to each of the recommendations in the Committee's report.

***Committee Recommendation 1:** The Office of Infrastructure Canada (Infrastructure Canada) must present to the Committee a progress report on its comprehensive strategic plan, including a long-term plan, a schedule, a budget and a business case based on the projected lifespan of each structure for which Jacques Cartier and Champlain Bridges Inc. is responsible; a final report must also be presented to the Committee.*

JCCBI, a federal Crown Corporation that owns and operates infrastructure in the Montréal area such as the existing Champlain Bridge, the Jacques Cartier Bridge and the Honoré Mercier Bridge, has put in place a rigorous asset management strategy. The strategy is based on information gathered during ongoing operations and maintenance and considers industry best practices, recent inspections, and opportunities in research and development.

Since 2014, JCCBI produces an annual Strategic Plan which includes capital projects, renewal and expansion cost forecasts. These Strategic Plans have been mainly focused on improving the current state of JCCBI's assets:

- Capital projects are prioritized over a five-to-ten-year period based on strategic objectives; and
- Capital renewal, replacement and expansion costs are forecasted over a minimum of a ten-year period.

Infrastructure Canada, in its oversight role for the Crown corporations under the Infrastructure and Communities portfolio, will work collaboratively with JCCBI to review life cycle asset management. A more robust asset management strategic plan will be developed which will allow government to work in a no surprise environment. This will provide a long-term plan, schedule, budget and business case on the projected lifespan of each structure through which infrastructure funding requirements will be forecasted based on long-term revenue and cost.

By June 15, 2020, JCCBI will have a Master Plan in place for each of its structures that will present planned investments based on detailed analysis of their current state and targeted lifespan. These Master Plans will present a strategic long-term vision for each of the JCCBI structures, prioritizing requirements and presenting long-term financial requirements. A progress report will be presented to the Committee by March 31, 2019 and a final report will be presented by June 15, 2020.

Committee Recommendation 2: *Infrastructure Canada must present to the Committee a progress report on the decision-making process for the selection of future project procurement models, including the lessons learned from the decisions that led to the chosen procurement model for the new Champlain Bridge project; a final report must also be presented to the Committee.*

As stated in the Auditor General Report of May 2018, the Government of Canada announced in October 2011 its decision to replace the existing Champlain Bridge and it also stated that the chosen procurement model would be a public-private partnership (P3). However, the Government completed its analysis of the procurement models for the new Champlain Bridge project in 2013, two years after it announced that it would be built as a P3. It is clear from the Auditor General's report that the previous Conservative government waited too long to decide to replace the existing bridge, and made its decision about the procurement model based on inadequate information.

Moving forward, for future large infrastructure projects under its responsibility, Infrastructure Canada will determine:

- key project-specific elements;
- risks and assumptions based on data from the New Champlain Bridge project and any other comparable Government of Canada projects; and
- the variability and probability of expected costs and benefits according to best industry practices.

Infrastructure Canada will launch a best practices and lessons learned exercise and obtain feedback from project participants on the challenges faced during selection of the procurement model. By December 31, 2020, a clearly defined decision-making process for the selection of future project procurement models will be developed and communicated to departmental decision-makers. A progress report will be presented to the Committee by June 15, 2019 and a final report will be presented by December 31, 2020.

Committee Recommendation 3: *Infrastructure Canada must present to the Committee a progress report on its benchmark study with benchmarks for value-for-money analyses to assess infrastructure projects; a final report must also be presented to the Committee.*

By March 31, 2020, Infrastructure Canada will develop a benchmark study in collaboration with PSPC. The benchmark study will be completed after the construction of the New Champlain Bridge and will be developed against a representative sample of traditionally procured infrastructure projects on cost and time performance indicators. A progress report will be presented to the Committee by June 15, 2019 and a final report will be presented by March 31, 2020.

Committee Recommendation 4: *Infrastructure Canada must present to the Committee a report detailing the positive and negative lessons learned about evaluating proposals following the new Champlain Bridge project, particularly as regards: 1) the errors identified by the Office of the Auditor General of Canada regarding the inadequate weighted assessment criteria; 2) the lack of evidence showing that the proposals satisfy all critical technical requirements; and 3) the many project changes and how to minimize these changes in the future.*

The evaluation method for the procurement of the New Champlain Bridge project was developed to ensure that the benefits of a PPP were maintained, while providing a sufficient level of assurance to the Government of Canada that the project would be delivered on a timely basis as compared to a traditionally procured project. The technical evaluation criteria was developed by a team of experts with extensive relevant expertise, including Infrastructure Canada's technical team, the Owner's Engineer ARUP, PSPC, P3 Canada, Justice Canada and the legal advisor Dentons.

Infrastructure Canada will work with PSPC, as the federal contracting authority for major projects, in the:

- development of weighted assessment criteria for the technical project requirements for all future design-build projects under its direct responsibility and those of the Crown Corporations under the Infrastructure and Communities portfolio; and
- determination of evidence required to ensure that bidders meet all critical technical requirements.

Infrastructure Canada will conduct a best practices and lessons learned exercise and will review the New Champlain Bridge project evaluation process. By March 31, 2020, this will ultimately result in a departmental bid evaluation process that continues to adopt PSPC policies and procedures and that maintains the confidence of the vendor community and the Canadian public in the procurement system, by conducting procurement in an accountable, ethical and transparent manner.

In terms of project changes, ensuring that stakeholders' needs are met is a best practice in the delivery of large infrastructure projects. In general, making changes as part of the project represents an efficient use of taxpayer dollars as it prevents newly constructed infrastructure from being substantially modified once the project is completed.

Additionally, only changes that had a solid justification were made to the project and are being implemented so that they are both timely and ensure best value for taxpayers. Infrastructure Canada will continue to work with key stakeholders to minimize the impacts of project changes while maximizing benefits for the community.

A best practices and lessons learned exercise will be conducted to review the New Champlain Bridge project change management approach. This will result in an adequate change process for future PPP projects that limits cost overruns and minimizes the potential for delays. A final report will be presented to the Committee by March 31, 2020.

***Committee Recommendation 5:** Infrastructure Canada must present to the Committee a report on the compensation due to the Signature on the Saint-Lawrence Group (SSL) for lost revenue from the elimination of tolls on the new Champlain Bridge and, as reasonable: 1) an estimate of the maintenance costs of all the federally owned bridges linking the island of Montréal to the South Shore, without tolls on the new Champlain Bridge; and, 2) a comparative estimate of maintenance costs had the new bridge included tolls.*

Under the contract with SSL, the Government of Canada retains any toll revenues. As such, there will be no compensation provided to SSL for any foregone revenue from the removal of tolls from the contract.

The implementation of a toll-free bridge has impacts on the costs of the project given the contract signed with the Private Partner includes costs and provisions associated with tolling activities, including for example, requirements to construct a toll collection building.

Canada's review and discussions with the Private Partner are ongoing. Once these negotiations are complete, a revised contract reflecting a toll-free bridge will then be finalized, executed and made publicly available (with possible redactions). Within 120 days after the revised contract is finalized, Infrastructure Canada will present to the Committee a report on the financial impacts of the tolling change and will collaborate with JCCBI to provide an estimate of the maintenance costs of all the federally owned bridges linking the island of Montréal to the South Shore taking into consideration toll and toll-free scenarios for the New Champlain Bridge.

In closing, the Government of Canada thanks the Standing Committee on Public Accounts for its work and recognizes the contribution of the Office of the Auditor General in conducting this study.

Yours sincerely,



The Honourable François-Philippe Champagne, P.C., M.P.
Minister of Infrastructure and Communities