

MAR 29 2019

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 House of Commons Standing Committee on Public Accounts
The House of Commons
Ottawa, Ontario K1A 0A6

Dear Mr. Sorenson:

The Government of Canada is pleased to present a progress report on implementing the recommendations of the Standing Committee on Public Accounts outlined in its report titled, *Report 4, Replacing Montreal's Champlain Bridge – Infrastructure Canada, of the 2018 Spring Reports of the Auditor General of Canada*.

As you are aware, the Samuel De Champlain Bridge project is one of the largest infrastructure projects in North America. The construction of the Samuel De Champlain Bridge is vital to ensuring the continued safe and efficient daily passage of commuters and millions of dollars in international trade.

The Samuel De Champlain Bridge project has and will continue to have a positive impact on the local, regional and national economies. Since 2015, the project has created thousands of well-paying jobs that are helping to grow the middle class and creating new economic opportunities.

The bridge is being built to last 125 years, which is well above the normal lifespan for this type of project. This could only have been accomplished through world-class, modern and innovative engineering. Thanks to an innovative and collaborative design process, the Samuel De Champlain Bridge will also have a unique visual identity that will transform Montreal's skyline, enhance its status as the primary gateway to Montreal, while ensuring integration into the existing landscape.

I have had the opportunity to visit the bridge worksite several times to see the progress of the work and meet with the project management team and proud builders on site. I have been impressed by not only the progress of the work, but also by the dedication of the workers, whose safety is of paramount importance to the Government of Canada. We will continue to work closely with the project's Private Partner to maintain a safe environment for the workers.

Canada

Throughout the construction of the new Champlain Bridge, we have also worked closely with our partners and with the adjacent communities. We have kept them informed of progress and we have listened to their concerns, including through Good Neighborly Relations Committees established in the communities adjacent to the bridge.

Recently, a number of residents and stakeholders in the region expressed the desire for the new bridge to be named Samuel De Champlain. Our partners and the public were further consulted to ensure any change to the name was supported. Based on these consultations, I announced last December that the structure will be called the Samuel De Champlain Bridge, which follows the example of other bridges in Montreal which include the full names of the historic figures they honour.

We are also working closely with the Government of Québec to incorporate the Réseau express métropolitain (REM) light rail project in the Samuel De Champlain Bridge corridor. The bridge project has won a number of awards, including the prestigious 2018 Envision Platinum Award from the Institute for Sustainable Infrastructure (ISI). The award is for achieving the highest standards of sustainable development and environmental performance at every stage of the project. This distinction is the first to be awarded in Quebec for infrastructure on the scale of the Samuel De Champlain Bridge, and the first in Canada to be awarded for a bridge project. This award reflects the importance of protecting our environment while supporting vital infrastructure projects that promote clean growth, preserve healthy ecosystems and build safe sustainable communities.

On October 25, 2018, Signature on the Saint Lawrence (SSL), the private consortium responsible for building and operating the new corridor, announced that the Samuel De Champlain Bridge would not be ready to open to traffic in December 2018 as planned. The opening will take place no later than June 2019. Significant progress has been made on the bridge and the main structure of the bridge has been completed. However, some important weather-dependent permanent work, including waterproofing and paving, will only commence in the spring.

The Government of Canada is committed to delivering a world-class project and will continue to exercise diligence and oversight to deliver a quality, toll-free Samuel De Champlain Bridge as soon as possible without compromising the safety of workers and the public, and ensuring sound management of taxpayers' money.

While delivering this project as soon as possible remains the top priority, the Government of Canada has already made progress towards establishing best practices and lessons learned for the project and in responding to the Standing Committee's recommendations.

The Government of Canada is committed to managing its federal infrastructure projects effectively, efficiently, fairly and transparently. The Samuel De Champlain Bridge project team has been working closely with the Gordie Howe International Bridge team. Lessons learned from the Samuel De Champlain Bridge project are being used to inform the Government of Canada approach to the Gordie Howe International Bridge between Windsor and Detroit. Moreover, Infrastructure Canada officials recently participated in a site visit and series of meetings with the Windsor-Detroit Bridge Authority (Crown Corporation responsible for the Gordie Howe International Bridge) to discuss best practices and lessons learned from the Samuel De Champlain Bridge project.

To date, we have made significant progress on learning from the Samuel De Champlain Bridge project. For instance, we have procured the services of Deloitte Canada, an expert in providing advice for public-private partnership (PPP) projects. Deloitte will help guide a comprehensive best practices and lessons learned exercise that addresses every aspect of the Samuel De Champlain Bridge project, from the earliest stages of the project to present. We have successfully mobilized a large number of past and current experts, including external experts such as PricewaterhouseCoopers and Arup who were highly involved in the project, to dedicate their time in a series of day-long workshops to discuss and develop best practices and lessons learned. To help guide the exercise, we have also completed an extensive literature review of Samuel De Champlain Bridge project documents, past PPP projects in Canada, and the views of prominent Canadian PPP experts. Moreover, through our participation in a 2-day workshop, we have consulted with a group of federal PPP experts that have previous and current experience conducting similar PPP projects.

We will continue to build on the successes of the Samuel De Champlain Bridge project and aim to continuously learn, improve, and innovate. Through a rigorous best practices and lessons learned exercise, we will develop, communicate and implement enhanced processes and approaches for the procurement of future major infrastructure projects.

Moreover, through this valuable exercise, we will also highlight the successes of this project, for which there are many. For some of the reasons I described earlier in this letter, the Samuel De Champlain Bridge project will undoubtedly be touted for years to come as one of the most innovative, modern PPP projects in Canada and globally.

The following sections will more specifically address progress on the Standing Committee's recommendations. Although the Standing Committee requested progress reports for Recommendation 1 by March 31, 2019 and Recommendations 2 and 3 by June 15, 2019, I am pleased to present at this time below a progress report for each of the Standing Committee's five recommendations.

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.

Infrastructure Canada has been working with JCCBI, a federal Crown Corporation that owns and operates infrastructure in the Montreal area such as the existing Champlain Bridge, the Jacques Cartier Bridge and the Honoré Mercier Bridge, to review life cycle asset management.

JCCBI has already taken concrete actions for each of its structures. JCCBI is also currently tendering and awarding detailed asset management consultant mandates for each of its infrastructures. These mandates will consolidate various sources of condition state data in order to establish integrated diagnostics and long term asset management plans aiming to optimize lifespan and lifecycle costs. The mandate for the Estacade of the Champlain Bridge is well underway and preliminary results are being analysed. The Jacques-Cartier Bridge mandate should be awarded shortly in March of 2019. Mandates for the remainder

of JCCBI's infrastructures such as the Honoré-Mercier Bridge, Bonaventure Expressway and Melocheville Tunnel are currently being prepared for tender.

As per our commitment to this committee, the final report will be presented to the Committee 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.*

Infrastructure Canada's proposed response to the above recommendation is reflected in the Government response to the Committee Recommendation 3 indicated below.

Committee Recommendation 3: *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.*

Infrastructure Canada is implementing the above recommendations through a two-phased approach. Firstly, for each major phase of the Samuel De Champlain Bridge project, Infrastructure Canada is conducting an overarching best practices and lessons learned exercise that addresses all key facets of the project. As mentioned, Infrastructure Canada has procured the services of the expert consultant Deloitte Canada for this exercise. The Deloitte Canada team has significant experience providing advice on major infrastructure projects and facilitating PPP workshops. The Deloitte team will plan, facilitate and report on three best practice and lessons learned workshops corresponding to each major phase of the project: pre-procurement, procurement, and design-build. Participants will include former and current integrated project team members from Infrastructure Canada, Public Services and Procurement Canada (PSPC), PPP Canada, and Justice Canada. Everyone asked to participate in the first workshop scheduled for April 2019 has accepted and has expressed interest and enthusiasm to participate in this important exercise. The workshops will address every aspect of the project, with a particular focus on the areas identified by the Standing Committee. The first workshop, on the pre-procurement phase, is scheduled for April, with a second session, on the procurement phase, expected to follow shortly after in May. The last session on the construction phase will be held in September.

Secondly, the results of the workshops led by Deloitte will help guide more focused working sessions between Infrastructure Canada and PSPC as PSPC is the entity generally responsible for procurement for the Government of Canada and has created a PPP Centre of Expertise. Discussion on these working sessions have been initiated with PSPC and officials to participate in the working sessions have been identified. The working sessions are expected to be held shortly after each of the Deloitte workshops. For instance, following the pre-procurement workshop, INFC and PSPC will examine the selection of the procurement model. A dedicated team of individuals has been identified to do this work.

Following the procurement workshop, the evaluation of project proposals will be examined and following the design-build workshop, project changes will be examined. As outlined in my December 2018 letter to the Standing Committee, this work will result in:

- A clearly defined decision-making process for the selection of future project procurement models that will be communicated to departmental decision-makers (final report to be presented to the Committee by December 31, 2020).
- A 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 (final report to be presented to the Committee by March 31, 2020).
- An adequate change process for future PPP projects that limits cost overruns and minimizes the potential for delays (final report will be presented to the Committee by March 31, 2020).

Committee Recommendation 4: *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.*

Benchmarking and lessons learned activities have already commenced. For example, lessons learned from the Champlain are being shared with other PPP projects including the Gordie Howe International Bridge project. Following opening of the Samuel de Champlain Bridge, more data will be available which will allow us to develop a formal benchmark study against a representative sample of traditionally procured infrastructure projects on cost and time performance indicators.

As per our commitment to this Committee, 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 Montreal 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.*

As outlined in my December 2018 letter to the Committee, under the contract with SSL, the Government of Canada would retain 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. However, the implementation of a toll-free bridge has impacts on the costs of the project given the contract signed with SSL includes costs and provisions associated with tolling activities.

While significant progress has been made, the complex task of removing tolling from the PPP contract and finalizing all technical, financial, and contractual changes is ongoing. Infrastructure Canada is working closely with SSL to resolve outstanding issues and finalize the tolling change, after which a revised contract reflecting a toll-free bridge will then be executed and made publicly available.

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 Montreal to the South Shore taking into consideration toll and toll-free scenarios for the Samuel De Champlain Bridge.

In closing, the Government of Canada is looking forward to presenting its final reports on the recommendations of the Standing Committee on Public Accounts in 2020 and again thanks the Standing Committee for its work.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. Champagne', with a stylized flourish at the end.

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