

DEPUTATION TO THE STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

2015 Pre-Budget Consultations



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Check against delivery

Good afternoon Madam Chair and members of the committee.

Thank you for the opportunity to speak with you today as part of the Government of Ontario's 2015 pre-budget consultation.

My name is Barry Steinberg, I am Chief Executive Officer of Consulting Engineers of Ontario, joining me is David Zurawel, CEO's Manager of Stakeholder Relations.

Consulting Engineers of Ontario (CEO) is a non-profit association representing approximately 200 engineering firms employing more than 20,000 Ontarians. Our mission is to promote a sustainable business environment for our members which we firmly believe is in the best interest of the people of Ontario.

Our members provide a wide range of engineering services to government and private sector clients. Our members' professional staff are not just engineers, but also technicians, technologists, geoscientists, architects and planners. Through their service offerings, CEO member companies directly impact the economic, social and environmental aspects influencing Ontario's quality of life. CEO's objective is to be a trusted partner and solutions provider to government the policy maker, legislator and government the client.

CEO responded favourably to last year's budget which made an unprecedented commitment to a long-term vision for infrastructure construction and rehabilitation across the province. We have long held that investment in core infrastructure stimulates economic activity and growth; it creates jobs. As we all know, investment as a result of sound long-term planning will create its own tax base.

Where last year's budget emphasized planning for our future success, we anticipate this year's fiscal plan to focus on implementation. The current realities of lower than projected economic productivity and job growth have taken their toll on provincial revenues. This means now more than ever that stable investment and value for taxpayer dollars are crucial to Ontario meeting its pledges as outlined in the *Build Ontario Up* agenda.

With this in mind, our deputation makes two recommendations for government to consider as it prepares its budget for 2015. First, all core infrastructure investment should be protected

by dedicated revenue streams. Second, the government should adopt the qualifications-based selection procurement model, the best practice in professional services procurement, to be used in concert with its current policy of Alternative Financing and Procurement, better known as AFP.

Speaking to our first recommendation, CEO was pleased to see last year's budget introduce two new dedicated funds for investment in transportation infrastructure across the province, totalling \$29 billion over the next 10 years. We believe that strategic long-term infrastructure commitments must be supported by dedicated revenue streams. This is the only way to ensure adequate resources are kept available for capital asset construction, operation and maintenance and decommissioning; especially during difficult economic times. All too often governments without such dedicated funding streams find themselves pressured by competing capital interests bleeding away such needed money from investments crucial to our quality of life, economic competitiveness and future prosperity. That is why CEO is strongly urging the government to extend the creation of dedicated revenue streams for all core infrastructure investment. Transit and transportation assets are vitally important because they move goods and people to support our economic prosperity. It is equally important that the assets supporting the foundations of our communities such as water and waste water be supported by full-cost pricing as a dedicated source of revenue.

While dedicated investment revenues are important, equally critical is that we ensure the greatest value for our tax dollars. This brings us to CEO's second recommendation; the adoption of qualifications-based selection as the procurement model for the Government of Ontario.

CEO recognizes the Government of Ontario has invested significant time, effort and resources to develop the AFP procurement model as the heart of its core infrastructure policy. In our comments late last year responding to the Provincial Auditor General's Report, CEO stated the importance of recognizing the significant role AFP has played in the construction of a substantial amount of public infrastructure over the past eight years; vital infrastructure that might otherwise have not been constructed. That said, we have also stated that while AFP can be successful, it is not a panacea. In fact, a substantial amount of provincial infrastructure work is delivered through traditional means. We also know that every design and construction project is unique, having its own set of characteristics and challenges. In

light of this, there are times when an alternative to AFP will be necessary. CEO is urging the Government of Ontario to adopt qualifications-based selection or QBS as this alternative model of procurement.

QBS was born as part of the 1972 *Brooks Act*, passed into law by the United States Congress to protect taxpayer interests when it came to federal capital infrastructure investment. Today it is being used in 44 of 50 states. QBS is a process mandated by the *Act* where engineering firms submit their qualifications to a competitive process conducted by the project owner. The owner assesses the experience of the competing firms based on qualifications such as knowledge, skill, experience, and project-specific factors and then the most qualified firm is selected to negotiate the project scope of work and a price for the project. Rather than placing an upfront emphasis on fees, QBS delivers savings through design innovation, quality and proper planning.

The fundamental concept we are discussing here is value. Over the life-cycle of an asset engineering-related services account for approximately one-and-a half percent of total costs. Yet these services play a major role in determining the other 98.5 percent of the asset's life-cycle costs, as well as the quality of the completed project. Because the QBS process very early on has the client and the engineer specifically define the project scope of work, it removes the majority of typically unknown variables that can present themselves during the completion of a traditional project. This well-defined scope of work provides more certainty of construction, maintenance and operating costs offering much greater savings to the client.

At the heart of the QBS model is its encouragement of innovation, which leads to overall cost saving alternatives. It provides the flexibility for engineers to consider a variety of options in concept, approach and interpretation which leads to better design, project quality and ultimately savings focusing on the life of the asset.

The QBS philosophy is founded on accountability, calling for sound business judgement, for actors to be responsible stewards of public funds, the application of due diligence and the use of strategies that maximize value to the client. Also essential for success are ethics and impartiality, ensuring an open and fair environment that treats all stakeholders equally.

We believe that Ontario is on the cusp of making the very important decision to adopt QBS and we want to encourage a provincial decision be made as soon as possible.

Late last year, Metrolinx announced two QBS test projects. We applaud the agency's leadership for taking this step; for committing to find new means of not only delivering value for taxpayer dollars invested by bringing projects in on time and on budget, but also for recognizing the equally important value of quality of design and innovation. Words that are defined very differently in AFP.

The first pilot project is for the multi-level parking structure at the Rutherford GO Station. The second is much larger; the electrification of the GO Transit corridor. These are truly exciting times for Ontario. However, we believe the case exists for expanding the QBS test beyond transit infrastructure and in to other complex core projects. Important for Ontario to consider is that many of the jurisdictions with which we do business such as New York, Michigan, Ohio and Pennsylvania all use QBS. So too does California, another jurisdiction against which we like to benchmark ourselves in terms of cutting edge technologies, economic development and innovation and more recently, the environment.

Ladies and gentlemen, QBS works. It can work well for Ontario:

- Because it results in lower overall costs for projects. Good design reduces change orders during construction and can minimize long-term maintenance and operating costs of assets.
- Because it serves to safeguard the public interest by ensuring public safety by focusing on the qualifications of those doing the work, rather than on lowest price.
- Because QBS benefits small firms by helping them compete. The qualification and selection process permits them the opportunity to more readily compete against larger firms. Remember that 80% of Ontario businesses are small businesses.
- And, lastly, QBS promotes better communication and technical innovation. Ontario as a client benefits from a better project that has been fully thought-through. It benefits from innovative and creative design and use of materials, and timesaving approaches

to problems. QBS places the engineer and government the client as partners in success, and that will impact your budgets for years to come.

Thank you very much for your time and attention today.

I would be pleased to take any questions you may have.