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December 2023 Market Update

Colleagues,

I am pleased to present Infrastructure Ontario's Market Update for December 2023.

This Market Update includes a listing of 31 projects in pre-procurement and active procurement (totalling more than \$35 billion in estimated design and construction costs). These projects build upon the provincial government's historic commitment to modernizing and expanding the province's public assets.

December's list also includes 20 government-announced projects in the initial stages of planning, for which scope, timing and delivery model are still being determined.

Since our last update in March, three projects in our pipeline have advanced to construction, and three projects have been added in the justice, tourism and culture sectors.

This update reinforces the relentless progress IO and its partners continue to make, despite the significant challenges facing our industry around the globe. Since 2020, IO has brought 30 projects to market, began construction on 24 projects and achieved substantial completion of 30 projects. In just the last four years, we have completed eleven hospitals, six justice facilities, and ten transit and transportation projects. We saw excellent competition in all but one or two of our largest hospital projects during this tumultuous time. The total value of contracts currently in construction is approximately \$43 billion, not including the three Progressive P3 hospital projects in Mississauga, Ottawa, and Moosonee for which we have now identified a development partner.

Continuing to be a market of choice for industry partners:

Our track record of success is crucial in maintaining the confidence of taxpayers and decision-makers. We do that by delivering projects on budget and on schedule well above industry standards. As of March 2023, IO had brought 80 projects to substantial completion since the inception of its capital delivery program almost 20 years ago. More than two-thirds of those projects (68%) have been completed on schedule and 94% have been completed on budget.

That success requires a healthy, competitive market and the ability to adapt our approaches in a way that meets anticipated needs and many challenges, new and old. We do so thanks to a constant dialogue with our public sector clients and industry, sharing insights and perspectives.

That dialogue has led directly to a number of substantive changes to our timelines, our contract models, and our approach to capital delivery. We continue to be very deliberate and transparent about the staging/timing of our projects - taking note of market feedback about when to bring projects to market in order to secure the most robust competition. We continue to deploy a broad set of contract forms - selecting the model which is most appropriate to the size, complexity, and risks of a

given project. Finally, we continue to use various mechanisms to encourage collaboration through the course of delivery including a more balanced approach to risk transfer, a commitment to new means of dispute resolution, and the use of affordability disclosures to enable transparent conversations about scope and cost.

For some projects included in December's Update, we continue to work with Government to determine the right procurement approach and models and will communicate those changes as soon as possible in the new year. We recognize that there is a greater volatility associated with model selection than has been our historic trend. We trust that market partners will recognize that this is driven by the volatility we are collectively observing within our industry. As always, we will engage all interested parties in specific discussions about the best model for given projects.

We will also be working closely with our ministry partners for projects in earlier stages of planning to identify opportunities for greater standardization of design, which will streamline the planning process and improve project outcomes. In doing so, we will work the Ministry of Health, in particular, to implement changes to oversight, scope and approach of functional planning and planning design consultants, to improve consistency and enable design standardization outcomes.

Finding other solutions and opportunities for Government through partnerships

The government calls on Infrastructure Ontario in many ways beyond our capital delivery program to make use of our position at the intersection where public sector needs meet private sector capabilities.

We are incredibly proud to be supporting the government's goal to deliver high-speed internet access to every community in the province by 2025. In August, we launched the first competitive process of its kind in Canada to select a qualified Satellite Internet Service Provider (Satellite ISP) to deliver satellite internet service to the province.

Last month, Ontario's Minister of Infrastructure Kinga Surma also announced the next wave of our Transit-Oriented Community sites. These developments will support the government's investment in public transit across the GTA and build vibrant, higher density, mixed-use communities connected to or within a short distance of transit stations. We are proud to work in an established collaborative process enshrined in a memorandum-of-understanding (MOU) approved by both the Province and the City – which governs when and how further details on TOC sites is made public.

In our work managing and modernizing the largest provincial real estate portfolio in the country, we also look forward to working with two new service providers in 2024 who will manage that portfolio (our Real Property Services program) and to project manage many high complexity projects with a value of up to \$20 million (our Project Management Service Provider, or PMSP).

I am also incredibly proud of the IO team that has led the site preparation for the new Volkswagen EV battery plant in St. Thomas. Despite extremely tight timelines, the team and our partners have successfully moved enough earth to fill the Toronto Blue Jays' stadium, the Rogers Centre. Finishing this work even earlier than the December 31 deadline ensures VW can begin constructing this massive source of employment and broader economic benefits in the new year.

Everyone at Infrastructure Ontario takes great pride in the privilege we have to contribute toward a connected, competitive and modern Ontario. We constantly strive to earn the public trust by delivering on what we promise and doing it better than anyone else could. The talented and committed people at IO are pivotal to that goal. We support the team's success by being a champion of equity, inclusion, diversity, and innovation inside and outside of IO's offices.

I look forward to taking on these and many new opportunities with all our partners and building on a legacy of success in 2024 and onward.

Thank you.

Michael Lindsay
President and CEO
Infrastructure Ontario