Alberta infrastructure: A positive outlook for P3s in Alberta

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Alberta's Minister of Infrastructure, Pete Guthrie, recently provided insights into the future direction of Alberta's infrastructure market. In addition to a discussion surrounding the 2024 budget allocation, Minister Guthrie expressed strong confidence in the Public-Private Partnership (P3) model, highlighting the recent launch of additional P3 procurements at a webinar on April 25, 2024 hosted by the Canadian Counsel on Public Private Partnerships.

The P3 model is a collaborative arrangement between government entities and private sector companies, whereby the private sector traditionally assumes a major share of the risks. This model aims to leverage the expertise of the private sector to deliver large scale public infrastructure projects more effectively and cost-efficiently than traditional public procurement methods. Stated benefits often include accelerated project timelines, innovation and better value for money. The Project Delivery methods under this model include Design Build Finance Operate/Maintain (DBFO or DBFM).

Historically, Alberta's use of P3s has focused on school bundles, a framework which has successfully delivered 40 operational schools in the province since 2010. Doubling down on this success, the Minister revealed the province’s desire for a more expansive application of the P3 model. The Province hopes to utilize P3s more broadly in healthcare and rail projects, as well as any project exceeding $100 million. This broader application is already underway, with the Red Deer ambulatory care facility set to be delivered using the P3 model.

Minister Guthrie went on to address the growing pressures on municipalities due to population increases. To address these issues, the province has allocated $7.2 billion to municipal infrastructure improvements, which includes $539 million for the expansion of water and wastewater systems, $111 million to transportation, and $1.6 billion specifically directed towards LRT projects in Calgary and Edmonton. A large portion of these Calgary and Edmonton projects will be delivered by P3. See our recent comments on Alberta’s Passenger Rail Master Plan here.

Trends in other provinces

The Minister noted infrastructure trends in other Canadian provinces, which indicate a shift away from traditional P3 models and toward other progressive, collaborative approaches. This shift has already taken root in British Columbia, evidenced through its recently published 2024 Major Infrastructure Projects Brochure. Notably, none of the major infrastructure projects proposed by Infrastructure BC are set to utilize a P3 procurement model, and instead will adopt Design Build, Progressive, and Alliance models, among others.

Ontario continues to navigate its infrastructure procurement strategy based on the principle of selecting the "right model for the right project," as articulated by the Ontario Minister of Infrastructure in 2022. Despite ongoing P3 projects, there is a discernible shift in sentiment towards more progressive delivery systems in Ontario, reflecting a broader national trend away from traditional P3s.

Exploring other collaborative models

While Alberta appears to be forging ahead with the P3 model, the Minister Guthrie also noted that the province is open to exploring other collaborative delivery frameworks. This includes the province's commitment to Unsolicited Proposals (USPs). In 2023, the province refined its USP framework, with an emphasis on transparency and accountability. In light of industry feedback, the province is now working to expedite the USP process by involving relevant ministers earlier on in the planning stages. This approach hopes to emphasize collaboration to ensure projects are integrated into capital plans more swiftly.

The Alberta Government has also modernized several contracts, including their Construction Management, Design Build, Design Bid Build, and consulting contracts, along with associated procurement documents. These updates are set to roll out this month and the Minister has said they will address key areas such as cost escalation, dispute resolution, and the incorporation of prompt payment concepts.

Conclusion

While the Canadian infrastructure market suggests a national decline in the popularity of P3s, Alberta is actively reaffirming its commitment to this model with the goal to apply it to a broader range of projects. BLG will be closely monitoring these upcoming projects.

If you have any questions regarding these initiatives or the P3 model in general, please feel free to reach out to the authors or any of the contacts listed below.

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