Building Ontario’s Future

A SuperBuild Progress Report

December 2000
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MESSAGE FROM THE MINISTER

I am pleased to present the first SuperBuild Progress Report.

The SuperBuild Corporation represents a new and fresh approach to government capital planning and spending in the province of Ontario. It is an approach anchored firmly in the belief that public-private partnerships can help build public infrastructure in the province in the most cost-effective and productive manner possible.

We have demonstrated that partnerships between government and the private sector work. The successful sale of Highway 407 to the private sector, the largest highway privatization in the world, generated $3.1 billion for the Ontario treasury. The continuing construction to complete the highway has created over 6,000 new jobs and has helped to relieve traffic congestion for business and commuter traffic across the Greater Toronto Area.

The recent lease agreement between the Province and British Energy for the Bruce Nuclear facility is a partnership that will see a dormant provincial asset revitalized and reactivated. As a result, jobs will be saved in many Bruce Peninsula communities and new economic growth will be possible in the region.

The mandate for partnerships through the SuperBuild Corporation extends beyond the private sector to our transfer partners in the municipal, post-secondary education and health care communities. Last year, in partnership with the private sector and the province’s academic leaders, we committed $1.8 billion toward higher education in Ontario. That money will create 73,000 new student spaces in the province.

Health care still remains our highest priority. Through partnerships we are investing $1.8 billion to modernize our hospitals and provide Ontarians with the highest standards of health care possible.

To ensure public health and safety across Ontario, SuperBuild Corporation is administering the Ontario Small Town and Rural Development initiative (OSTAR). This $600 million initiative will assist small towns and rural communities in financing their infrastructure needs, particularly water and sewage systems to provide safe and reliable drinking water.

These are a few of the activities SuperBuild Corporation has undertaken in the last year. The possibilities for new partnerships for the future are limitless. We look forward to an active year with subsequent rounds of the OSTAR initiative, and the first rounds of the Sports, Culture and Tourism Partnerships and the Millennium Partnerships initiatives.

The legacy of SuperBuild will be a state-of-the-art system of infrastructure that will meet the needs of Ontarians today and tomorrow.

Ernie Eves,
Minister of Finance
MESSAGE FROM DAVID LINDSAY

SuperBuild has been in operation for less than a full year. Already we are having an impact on the way government thinks about infrastructure. Our mandate is to help the provincial government and its broader public sector partners be more strategic and be more creative in the financing and management of its physical assets.

In the coming decades Ontario will need even better infrastructure so that hospital waiting lists will decrease, goods can be transported to market, students have spaces in modern college and university laboratories, and court users can access new, modern facilities. Our ambition then is to build Ontario’s future – to invest in infrastructure that encourages economic growth and enhances our province’s cherished quality of life.

We have set a five-year goal of investing $10 billion in a variety of infrastructure projects, and using that investment to lever an additional $10 billion or more in partnership investments from the private and broader public sectors. Our commitment is more than just billions of capital dollars for new facilities and networks – SuperBuild’s legacy will also be new ways of financing, developing and thinking about infrastructure.

In our first phase of work SuperBuild has been meeting its goals in a variety of ways:
- by rebuilding Ontario’s hospitals, colleges, universities, highways and other key infrastructure so that we can deliver better services to the people of Ontario;
- by championing new, prudent implementation, accountability and asset management practices among our municipal, hospital administration and other broader public sector partners;
- by driving public-private partnerships and other innovative investment approaches that improve services for taxpayers; and,
- by providing high-quality advice to our colleagues inside and outside the provincial government on the challenging work of forging workable partnerships.

This first progress report focuses on the successes that we have achieved by working with colleagues from inside and outside government. I hope that when you look through this document you will discover where your future goals and ambitions might fit with those of SuperBuild.

I look forward to hearing from you and other potential partners as we continue to develop new and creative financing tools and ways of thinking about infrastructure for Ontario’s economic growth and quality of life.

Sincerely,

David L. Lindsay
President and Chief Executive Officer
Ontario SuperBuild Corporation
The Ontario SuperBuild Corporation’s 14-member advisory board consists of professionals from Ontario’s public and private sectors. Their role is to provide advice and counsel to the Minister of Finance on the creation of new public-private partnerships and on approaches to privatization and specific infrastructure challenges such as the development of a long-term water and sewer infrastructure investment and financing strategy. The Board members are:

Mary Mogford (Chair)
Frank Potter (Vice Chair)
David L. Lindsay (President and CEO)
Diane Beattie
Robert Christie
Sir Graham Day
Robert William Martin
Roger L. Martin
Owen W. McAleer
Mary Theresa (Terry) McLeod
Peter Minogue
Bryne Purchase
Helen Sinclair
Richard M. Thomson
SuperBuild at Work

SuperBuild, the government’s five-year, $20 billion infrastructure initiative, is committed to providing the best value for Ontario taxpayers – creating a higher quality of life for everyone, as well as increased economic productivity and more job-creating business. This innovative new infrastructure approach is building Ontario’s future in a number of complementary ways:

- investing Ontario taxpayers’ dollars in traditional capital projects such as highways, courthouses and parks, but for the first time guided by central, strategic direction from the Cabinet Committee on Privatization and SuperBuild;
- multiplying the government’s investments in Ontario’s hospital, college, university and municipal infrastructure by leveraging partnership investments from the private and broader public sector;
- identifying Ontario’s infrastructure needs and meeting them through new methods of private sector financing and partnerships;
- reviewing the government’s services and assets to see where public-private partnerships might offer even greater value to taxpayers;
- offering experience, advice and perspective to government and broader public sector colleagues on how to build successful partnerships; and,
- serving as the Province’s co-ordinator for investments under the Canada-Ontario Infrastructure Program Agreement.

The Ontario SuperBuild Corporation

The SuperBuild initiative is delivered through the Ontario SuperBuild Corporation, an agency that reports to the Minister of Finance and Deputy Premier. The corporation has a president and CEO, who is assisted by vice presidents responsible for public-private partnerships and capital infrastructure strategies. The Ontario SuperBuild Corporation makes recommendations to the Cabinet Committee on Privatization and SuperBuild. This decision-making structure is unique since, for the first time in Ontario, all provincial infrastructure policy, investment and capital planning decisions are consolidated under a single Cabinet committee.

Several principles guide the Ontario SuperBuild Corporation’s activities.

- We are bringing together the Province and its public and private sector partners to plan, set priorities and jointly invest in the infrastructure we need to ensure tomorrow’s prosperity. **We are a catalyst for investment.**
We are improving the Province’s capital planning, priority setting, and investment process to make it more strategic, responsive and accountable. **We are a driver of change.**

We are implementing performance measures and other benchmarking tools to ensure we invest in the right infrastructure opportunities at the right time, and get the best value and return for taxpayers and investment partners. **We are a champion of best practices in public asset management.**

Ontario’s current infrastructure stock is worth an estimated $200 billion. The private sector is responsible for delivering almost 50 per cent of the total stock, including electric, gas and other utilities, communications, railways, airports and other private engineering infrastructure. The federal government is responsible for six per cent of the total stock. About $88 billion is Provincially owned or delivered by the Province’s traditional transfer partners in the education, health and municipal sectors. These infrastructure assets – belonging to the Province and broader public sector – make up SuperBuild’s primary area of influence.

**The need and the challenge**

Ontario’s economy is booming. Indeed, in 1999 the province’s 6.1 per cent rate of growth surpassed that of the United States and all other G-7 nations. Over the next 20 years, the provincial population is expected to grow by almost as much as it has in the previous 20 years.

This level of growth, however, is not something we can take for granted. We must prepare ourselves for the future by prudently building and maintaining the physical assets that support our quality of life. Such infrastructure includes everything from roads and hospitals to new technologies and water systems. Many of these assets are 20 to 50 years old and need to be rehabilitated or replaced. Since the early 1980s, public investment has lagged behind economic growth and demand for services.

We must act now to address this “infrastructure deficit” and plan for future investment needs in order to enhance and protect our public assets, and to leave a more secure and prosperous legacy for our children.

**Facilitating innovation through public-private partnerships**

Public-private investment partnerships will play a big role in eliminating Ontario’s infrastructure deficit. SuperBuild is helping to broker partnership arrangements among provincial ministries, municipalities and institutions with private investors. We’re also providing guidance on how to structure such partnerships so that the public interest is protected.
This year we have established three new partnership initiatives (see “Building Ontario’s Communities,” page 17). What is unique about these initiatives is that they require the proponents to make a business case for Provincial capital dollars by demonstrating need, innovation and investment partnership.

**Making capital investment more accountable and strategic**

This is the first year of the government’s new capital planning process, coordinated by SuperBuild. In the past, each provincial ministry was given its own capital funds and established its own set of priorities. Then universities or hospitals applied for and received funding from separate ministries. But neither governments nor those institutions were responsible for thinking about or planning strategically for how one decision related to any other or to the “bigger picture.”

Under the new SuperBuild process, ministries are required to take stock of the age, condition and value of capital assets; ministries must also project future capital needs. The same requirement is being applied to, for example, universities and hospitals – they also must develop long-term capital asset plans as a condition for receiving Provincial capital investment support.

All approvals for capital plans by ministries must be funnelled through SuperBuild and then to the Cabinet Committee on Privatization and SuperBuild (CCOPS), which undertakes a strategic review and develops a capital plan for the government.

**Reviewing the ownership of public assets and services**

SuperBuild is also involved in reviewing government’s role in the delivery of services. Provincial businesses and services will be evaluated on an individual basis to determine where the private sector can deliver higher quality services at a lower cost to taxpayers. SuperBuild will retain expert external advisors to review services. SuperBuild will also develop open, fair and transparent processes to ensure that the public’s interest is protected and taxpayers receive highest value.
Building Ontario’s Knowledge Infrastructure

Developing Ontario’s intellectual capital

A high quality post-secondary education system is absolutely essential if Ontario is to succeed at leading Canada and other countries in economic growth, job creation and prosperity.

Ontario’s colleges and universities must become world-class centres of academic teaching and research excellence. As incubators of innovation, they are ultimately responsible for ensuring that Ontario maintains its well-educated and skilled workforce – a competitive advantage that will become even more important in the future.

But we face some challenges. Ontario has not kept up with other jurisdictions that have made capital investments in higher education – investments that make those jurisdictions more responsive to the needs of students and communities. As well, at a time when high-tech and manufacturing industries are facing a shortage of skilled workers such as engineers, only seven per cent of Ontario’s graduates are from this field – the lowest percentage of all OECD countries.

SuperBuild investment is helping colleges and universities achieve a better program balance by increasing the number of student spaces in growing areas of demand while reinforcing support for liberal arts education.

Meeting the challenges

Ontario’s higher education institutions are facing a major increase in enrolment as a result of demographic factors, secondary school reform and a trend toward life-long learning. At the same time, many existing facilities require significant technical upgrades to keep pace with new technology and advances in research.

Hence, SuperBuild is partnering with colleges, universities and the private sector to build new buildings and renovate existing ones on campuses and to create province-wide information technology networks. These partnerships will result in 73,000 new spaces for students available by 2003.

The total investment is $1 billion from SuperBuild and $800 million from private and public sector partners. This is the largest capital investment in Ontario’s colleges and universities in more than 30 years.
More innovation and accountability

This unprecedented investment is part of a far-reaching change process toward greater innovation and accountability championed by SuperBuild.

- The funding formula for capital proposals is being replaced with a new competitive, criteria-based approach that rewards partnership, responsiveness to student demand, innovation and community benefit.
- All institutions are required to develop long-term capital asset management plans to ensure that the investment is strategic, forward-looking and financially sound.
- Universities and colleges are being encouraged to develop collaborative partnership programs that build on each other’s strengths and thereby provide more options and opportunities for students.

Connecting to the marketplace

Ontario must reap the maximum benefit from its investments in research, research capacity and research infrastructure. Building bridges from our centres of discovery that lead quickly to innovations in the marketplace is another priority area of investment.

Three innovative SuperBuild public-private partnerships will create biotechnology commercialization centres over the next 18 months. These centres, in London, Ottawa and Toronto, will speed up the development of promising new technology by connecting small, technology-intensive companies with each other, with research centres and with access to the strategic advice and capital they need to succeed in global markets.

The total investment from SuperBuild is $20 million over four years. Private and other public sector partners will invest an additional $39.6 million over the same period to develop self-sufficient commercialization centres for the new economy designed to seize emerging opportunities in rapidly growing global biotechnology markets.
BUILDING ONTARIO’S HEALTH CARE FACILITIES

Keeping pace with a growing and aging population

To maintain high quality and accessible health care for a growing and aging population, Ontario’s health care services sector is undergoing restructuring led by the Ministry of Health and Long-Term Care.

Ontario’s hospitals are integral to this initiative. As community institutions, they are the largest and most visible components of the health care sector. In the 2000 Ontario Budget, the government demonstrated the strength of its commitment to restructuring the hospital system by fast-tracking an investment of $1 billion through SuperBuild to accelerate capital restructuring and local investment.

Encouraging innovation and accountability

Building on the foundation laid by the Health Services Restructuring Commission (HSRC) and other health care reforms, SuperBuild will encourage even more innovation in the way hospitals and other health care facilities are planned and built. We will work with the Ministry of Health and Long-Term Care, hospitals and other health care providers to explore the potential for public-private partnerships for capital projects and to address barriers to this approach.

A new process that rewards initiative and innovation is being put in place. Investment allocation decisions will be connected to clinical and other outcome-based performance measures. SuperBuild and the Ministry of Health and Long-Term Care are also working with the health care sector to develop new investment options in medical technology that will help health care facilities provide faster, more accurate diagnoses and, ultimately, better treatment closer to home.
BUILDING ONTARIO’S TRANSPORTATION NETWORKS

Meeting world-class transportation challenges

An efficient, safe and accessible provincial highway network is vital to Ontario’s economy and our local communities. Nearly $1 trillion of goods is moved along the 16,500 kilometres of provincial highways each year. When the highways and major international gateways are congested, our competitiveness and prosperity are seriously compromised.

Will our highway system serve the needs of Ontario’s expanding economy? Ontario’s population is projected to grow to 15.4 million in 2028. The Greater Toronto Area (GTA) will account for about 60 per cent of the growth, especially in the “905 belt” surrounding Toronto. If not managed properly, this projected growth will lead to increased road congestion and excessive delays. Already, Highway 401 through Toronto is rated as the busiest freeway in North America.

Provincial highway investments set all-time record

In all parts of Ontario SuperBuild is working with the Ministry of Transportation (MTO) to expand 400-series and four-lane provincial highways to ensure safe driving, decrease traffic congestion and ensure that the capacity is in place to meet future needs.

In the May 2000 provincial budget, the government announced plans to invest $1 billion in Ontario’s highways, the largest amount in the province’s history. About $200 million is earmarked for construction projects in the Greater Toronto Area.

Consistent with the SuperBuild approach, capital investments, wherever they are made, must be well integrated and involve as many partners as possible. A significant amount of capital will go toward rehabilitating existing highways: resurfacing pavement and repairing or replacing bridges to ensure that the investments already made in the highway network are protected.

We’re also investing in projects to improve the efficiency and capacity of the existing highways by widening lanes, adding passing lanes and ramps, and through the use of intelligent transportation systems (ITS). Ontario’s Highway 401 “Compass” system is a state-of-the-art example of the benefits of traffic-management technology and has expanded the way we think about managing roads beyond just pavement.

Finally, we are planning to build new highways for the future. This investment will be focused mainly in the GTA and the Golden Horseshoe area, along trade corridors and the approaches to major international border crossings.
Exploring innovative approaches to partnerships

SuperBuild and MTO are actively considering ways to bring the private sector to the table as early as possible, to share any potential risk and to accelerate the completion of the required planning work. We are looking at how to involve the private sector in the planning process for new highway projects, including the possibility of shared responsibility to meet the requirements of the Environmental Assessment Act. It may also be possible to bundle projects together, allowing the private sector to spread risk across more than one project.

We have gained experience through the privatization of Highway 407. We have also partnered with municipalities, the Greater Toronto Airports Authority (GTAA) and the private sector, to cost-share projects where the end results benefit everyone.

We are also learning from other jurisdictions that have implemented new ways to build and finance highway infrastructure. For example, one approach under consideration is “shadow tolling,” where the private sector finances and constructs the infrastructure and government makes an annual payment based on the usage of the highway.
BUILDING ONTARIO’S JUSTICE FACILITIES

Investing in the province’s courthouses and correctional facilities

The justice system affects all our lives. An efficient and effective justice system supports everyone’s right to be safe and feel safe from crime, and provides a stable legal base for a strong economy.

Ontario, however, has a number of outdated courthouses and its correctional system is aging. SuperBuild is currently assessing courthouse needs across the province. We are also advising the Ministry of Correctional Services on major capital projects to modernize provincial correctional facilities. We are encouraging innovative ways to build modern, efficient facilities that offer taxpayers more value and, most importantly, greater peace of mind.

Assessing partnership opportunities for improved justice services

Since 1995, the provincial government has committed $269 million to build or renovate court facilities and $457 million to modernize jails. This is the largest courthouse and jail construction program in Canada. Among these projects, new courthouses in Hamilton, Welland, Brampton and Windsor officially opened in the past two years. Other courthouse projects are either under construction or are in the planning stages, such as those in Brockville, Pembroke, Chatham and Owen Sound.

In July 2000, in cooperation with the Ministry of the Attorney General, SuperBuild issued a request for proposals to develop an innovative public-private partnership approach to modernize court facilities.

The selected consultants immediately began to focus on developing potential partnership models for the Durham Region courthouse. They also are looking at facility needs in London, Newmarket, Barrie, Kingston, Belleville, Sudbury, St. Thomas and Halton Region before considering partnership strategies. For court facilities in Kitchener, Thunder Bay and Toronto, where needs have already been analyzed, the consultants will review options for developing potential partnerships.

The study is also identifying opportunities for the provincial government to partner with the private or broader public sector in financing, building and operating court facilities.
SuperBuild’s partnership approach will explore the potential for new courts to be built as part of larger, multi-use justice complexes. This model would change courthouse design by consolidating core functions such as courtrooms and prisoner-handling areas into a single building, while general office space and law association libraries may be housed in an adjoining facility.

The approach is not “one size fits all.” It will be applied only where it can address the needs of the community and reduce costs.

Renewing correctional facility infrastructure

More than one-third of Ontario’s jails are older than the country itself. The Ontario government has committed $457 million to modernize jails and to retrofit others with security upgrades. In addition, $50 million has been allocated to create a dedicated system for young offenders that is safe and efficient. By spring 2004, Ontario’s existing system of institutions for adult inmates will be transformed into a modern system that is safe, secure, efficient and effective.

This initiative is part of an overall plan announced by the government in 1996 to introduce standards and performance benchmarks for restructuring and redeveloping the Province’s jails. Sixteen capital projects are currently in advanced planning stages or fully completed. Two new “super jails” are under construction in Penetangushene and Lindsay, and the existing Maplehurst facility in Milton is being expanded into a “super jail.” Once retrofits and expansions are completed at Maplehurst, this will be Ontario’s largest jail.

This initiative will enhance public safety through the development of a modern, no-frills correctional infrastructure, which will incorporate the most advanced technologies and ultra-modern features designed to create a safe and secure environment for staff, inmates and the public.

The government will renew the current young offender infrastructure to create a dedicated system for young offenders. To achieve this, a key component will be the removal of young offenders from 10 units in adult facilities.

The creation of a dedicated system for young offenders will focus on the programming requirements of young offenders and fulfils the government’s commitment made in 1997 to create a dedicated young offender system.
BUILDING ONTARIO’S NORTH

Fostering economic development throughout Ontario’s North

Ontario’s North needs new infrastructure if the region is to grow and prosper. Investments are needed in highways, basic telecommunications and advanced technologies that permit remote medical diagnosis for residents. These improvements will strengthen the link between northern communities and the rest of the province, creating new employment opportunities and enhancing the quality of life.

SuperBuild and the Northern Ontario Heritage Fund Corporation (NOHFC) are committed to working with private, municipal and institutional sector partners to address the needs of Ontario’s North. The NOHFC funds promising economic ventures with special focus on telecommunications, tourism and strategic partnerships with communities and business.

Hospitals and community health centres in Northern Ontario are a major beneficiary of the collaboration between SuperBuild and NOHFC. In 1999, NOHFC announced an initiative to fund capital improvement projects and medical equipment purchases in small communities across Northern Ontario to bring quality health care services closer to home for all northerners. So far, some 115 primary care facilities across the North have received $13 million, permitting significant renovations and medical equipment purchases such as x-ray machines, defibrillators, vital-signs monitors and dental equipment.
BUILDING ONTARIO’S COMMUNITIES

Thinking ahead. Acting now.

While there are already a number of tangible examples of SuperBuild at work, one important priority was to establish criteria for infrastructure development in three key areas:

❖ urban renewal in Ontario’s largest cities;
❖ improvements in agricultural/rural areas, small towns and small cities; and
❖ sports, cultural and recreational facilities that make important contributions to every community’s quality of life.

To address these priorities, the following SuperBuild initiatives have been announced:

SuperBuild Millennium Partnerships

As the Province’s main vehicle for changing the way public infrastructure is provided for large urban centres, Millennium Partnerships will help close the gap between urban infrastructure needs and the public sector’s ability to pay for them. It will also ensure that Ontario’s largest cities become even better places to live, work, invest and raise a family.

The initiative will rely heavily on public-private partnerships and creativity to find new ways to solve problems and finance improvements. For example, cost sharing between the province and the private sector can be extended to include other partners, such as the federal government, local governments, non-profit organizations and other public-sector entities.

Over a five-year period, Millennium Partnerships will invest $1 billion in innovative public-private partnerships for strategic infrastructure projects. Proposals will be evaluated through a competitive process based on clear criteria.
Ontario Small Town and Rural Development (OSTAR)

This initiative is a five-year, $600 million program designed to improve the quality of infrastructure and stimulate economic development in Ontario’s agricultural and rural areas, small cities and towns. For the initial round (with applications currently under review), the priority is on public health and safety, including water and sewer system upgrades required to comply with Ontario’s new Drinking Water Protection Regulation.

OSTAR proposals will be evaluated according to need, technical quality and innovation, cost efficiency, partner contributions, quality of the financial plan, and adequacy of the municipality’s long-term capital asset management plan for the project.

Sports, Culture and Tourism Partnerships

Sports, culture, recreational and tourism facilities are important contributors to a community’s quality of life. During tough economic times, however, many facilities deteriorated due to deferral of maintenance investment. Thus, many arenas, theatres and other community facilities are now in need of renewal or repair, while newer communities, including ones that will be built over the next five years, will need to invest in new facilities.

This SuperBuild initiative will make $300 million available over the next five years to rebuild and enhance municipally owned or endorsed sports, cultural, recreational and tourism facilities throughout the province. Major cultural and tourist attractions owned by provincial agencies (such as the Ontario Science Centre, Science North and the Royal Ontario Museum) or non-profit organizations are also eligible to apply.

This competitive criteria-based initiative will ensure that the most beneficial projects receive SuperBuild investment.
As we hope this first progress report has demonstrated, we can already point to many examples of SuperBuild’s vision at work. But it is still just a start. There is much more work to be done.

SuperBuild is eager to work with private and broader public sector partners to build Ontario’s public infrastructure to benefit local communities and the province at large, while making the most of taxpayers’ dollars.

Stay tuned. Visit our Web site or get on our mailing list. There are many more partnership opportunities to come.
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