



Construction & Design Alliance of Ontario

Association of Registered  
Interior Designers of Ontario  
[www.arido.ca](http://www.arido.ca)

Building Industry & Land  
Development Association  
[www.bildgta.ca](http://www.bildgta.ca)

Consulting Engineers  
of Ontario  
[www.ceo.on.ca](http://www.ceo.on.ca)

Mechanical Contractors  
Association of Ontario  
[www.mcao.org](http://www.mcao.org)

Ontario Association  
of Architects  
[www.oaa.on.ca](http://www.oaa.on.ca)

Ontario Construction  
User Council  
[www.theocuc.com](http://www.theocuc.com)

Ontario Electrical League  
[www.oel.org](http://www.oel.org)

Ontario General  
Contractors Association  
[www.ogca.ca](http://www.ogca.ca)

Ontario Home  
Builders' Association  
[www.ohba.ca](http://www.ohba.ca)

Ontario Road  
Builders' Association  
[www.orba.org](http://www.orba.org)

Ontario Sewer & Watermain  
Construction Association  
[www.oswca.org](http://www.oswca.org)

Ontario Society of  
Professional Engineers  
[www.ospe.on.ca](http://www.ospe.on.ca)

Residential Construction  
Council of Ontario  
[www.rescon.ws](http://www.rescon.ws)

Residential and Civil  
Construction Alliance  
of Ontario  
[www.rccao.com](http://www.rccao.com)

Surety Association of Canada  
[www.surety-canada.com](http://www.surety-canada.com)

November 15, 2013

Hon. Glen Murray  
Minister of Infrastructure  
Minister of Transportation  
Ferguson Block, 3<sup>rd</sup> Floor  
77 Wellesley Street West  
Toronto Ontario M7A 1Z8

Dear Minister Murray:

Thank you for taking the time to meet with our delegation representing the members the Construction and Design Alliance Ontario (CDAO).

We are following-up with this letter to express some additional thoughts and recommendations.

### **Bundling**

In the meeting you acknowledged that bundling has consistently come up as an issue in AFP projects and you are aware of the CDAO position. It is our understanding that there could potentially be some changes in this respect to the Eglinton Crosstown LRT project. While we are disappointed that neither Infrastructure Ontario nor Metrolinx are willing to unbundle this project through the RFQ process, we recommend to you that both the forthcoming RFP and contract stipulate the number and size of subcontracts that must be let to local consultants and contractors in the execution of this project.

Both Infrastructure Ontario (IO) and the Construction and Design Alliance of Ontario (CDAO) spent a great deal of time and effort establishing the six-point bundling criteria guidelines. With the exception of one test case, this document and the criteria contained within were never used again. It is CDAO's recommendation that you, as Minister of Infrastructure, send this bundling document to all capital ministries and press for its implementation. We believe that it must be made clear to these ministries that the decision-making criteria contained in this document be used as the basis of all bundled decisions. We understand that IO does not always have the final decision-making power in the bundling of infrastructure projects. It is our strong belief however, that it is in the best interest of the citizens of Ontario that capital ministries use the same criteria in making decisions. To this end, we call on IO to fulfil its commitment to CDAO to work with us as partners as bundling decisions are made.

### **AFP Documents**

Members of CDAO have suggested that the AFP template used for larger (\$1B) projects is not suitable for use with projects that are an order of magnitude smaller (~\$100M). We are asking that Ministry officials work with us to review potential alternative templates that can be used to create an efficient and effective tool to meet Ontario's needs. This would avoid the bundling of projects simply to reach financial thresholds.

### **Pursuit Costs**

In the AFP space, all of our members are experiencing prohibitive pursuit costs for projects. These costs not only threaten the sustainability of our members, they ensure that small and medium enterprises in the design and construction sector are unable to compete. The financial viability of the construction and design sector is in the best interest of Ontarians and we are requesting that your ministry, the capital ministries and associated agencies, such as IO and Metrolinx work with CDAO to investigate models that will focus on maintaining pursuit costs, and related compensation, at levels that will ensure the long term health of our sector, including the workforce.

### **Compliance**

Another issue of particular concern for our industry involves our members' experience with international companies that create compliance issues within projects. During our meeting we discussed specific examples of how local contractors are being forced to object to terms and conditions imposed by these firms that would risk the safety of employees, by compelling them to work under potentially noncompliant conditions. Situations such as these create safety, cost and scheduling problems. Since compliance is critical to the success of a project, we recommend that emphasis be placed on the successful production of compliance documents. This can be done by ensuring that the firm responsible for these documents is given the resources and time required for completion of comprehensive documentation. If documents are not complete and comprehensive it is highly unlikely that contractors, foreign or otherwise, will be able to comply with their statutory, regulatory and contractual obligations. We are asking the government to work with CDAO to develop and implement a process that will ensure compliance.

### **Innovation, Design & Value**

You stressed during our meeting that the procurement process must have a mechanism to provide for long-term innovation that goes beyond that required to create time and dollar savings during the construction process; rather innovation that creates strategic cultural and commercial value and return on investment over the life cycle of the asset. Minister, in your words, "we have to reward good design ... and I am not sure how to do that in the AFP world." While we have what we believe to be credible ideas, CDAO is aware that further discussion is required. We are eager to work with you and the Ministry to develop approaches to reward design and innovation both in situations where AFPs are used and where they are not used; knowing that while P3s provide a suite of solutions, these are not a panacea. We recommend that a government/agency/industry working group, tasked with the responsibility to produce a viable plan to achieve this important goal, be created.

We would suggest that your idea of designating signature projects is a good one to test the impact on value and long-term return on investment. This would likely result in a redefinition of "impact", "value" and "Return on Investment" (ROI) and result in an approach that asks the design and construction community to provide the best asset for a budget amount or asset cap, leading to the concept of lifecycle valuation. Signature projects might be more easily identified by the recommended working group using this approach. The success of these recommendations, and future recommendations of working groups, will be contingent upon being able to define and measure success. This requires complete transparency, allowing data to be shared. CDAO recommends that the Ministry and IO work with the industry to develop success metrics that go beyond 'on time', 'on budget' and define success in terms of lifecycle impact, value and ROI. Measuring success will require open sharing of data. This will lead to effective decision-making criteria. We must begin to think in terms of "starting with the end in mind".

These proposed efforts will produce the components of a scoring structure that is able to focus on strong compliance, quality design, innovation and lifecycle ROI parameters that address social, environmental and economic aspects of the quality of life of the citizens of Ontario. During our meeting you spoke about remarkable, visionary and aspirational assets. CDAO and its members are committed to partnering with your teams to achieve this vision.

Using this recommendation, we request that the Ministry allow us to focus on four issues in the short-term:

- Increase the honoraria for unsuccessful contractors and design firms.
- Streamline the AFP document template for smaller projects.
- Identify and move forward with a pilot project that tasks the design and construction community to provide the best asset for a budget amount or asset cap, promoting the concept of lifecycle valuation.
- Discuss with authorities infrastructure project lists, upon their release, to provide expert insight and advice to the government regarding the selection of appropriate project delivery models as is established practice in other jurisdictions.

We will provide you with solutions prior to the end of the year. We also respectfully request that you seriously consider the pilot project which take all of the issues discussed in this letter into account. In this project we will focus on quality, innovation and lifecycle ROI. The design component of this pilot will be awarded using the best practice in consultant selection "Qualifications Based Selection", because, in your words, innovation starts at the design stage. The design can then be given to the consortia to give you the best asset possible for the budget. We believe that this approach represents the route to your vision; we merely need the vehicle to realize it.

CDAO is committed to working with government and its agencies to design and build infrastructure which serves, and provides value to, the people of this province.

Sincerely,



Clive Thurston  
Chair, CDAO