

Taking Risks in Infrastructure: 2½ Case Studies



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Overview

- Innovation and Risk
- Taking program level risks in infrastructure and real property



From Project Risk to Program Solutions

- Performance risk
- Funding risk
- Political risk
- Litigation risk
- Procurement risk
- Cost control risk
- Stakeholder risk
- Approvals risk
- Design risk
- Environmental risks
- Health and safety risks
- Scope change risk
- Contract risk
- Archeological risk

	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Medium 14	Medium 12	High 5	High 3	Extreme 1
Likely	Medium 17	Medium 15	Medium 10	High 4	Extreme 2
Possible	Low 20	Medium 18	Medium 13	High 7	High 6
Unlikely	Low 23	Low 21	Medium 19	Medium 11	High 8
Rare	Low 25	Low 24	Low 22	Medium 16	High 9

Case #1 FN Infrastructure Stimulus

- Mandate:
 - \$650 M in “shovel-ready” projects
 - 120 days to implement
 - Coordinate with partners
 - HC
 - CMHC
 - Don’t be a headline in the newspaper



Other Key Risks

- Poor program management
- Credibility risk with central agencies
- Political imperative
- Ability to deliver



Seizing Opportunities = more RISK?

- Innovative programs:
 - Multi-unit housing
 - Market-based housing
- New Terms and Conditions for the Program
- New Management Control Framework
- New Contribution Agreement

Risk Mitigation

- Early engagement
- Oversight as leverage
- Excellent program tools
- Risk transfer opportunities?

Oversight focuses the mind

- OAG “Real Time Audit”
- Internal “Real Time” oversight
- PCO bi-weekly reporting



Results: Auditor General of Canada

- OAG told us to take more risks by pushing out the funding faster:
 - “The Department put additional controls in place over these projects (and) allowed construction to start for most **only after** contribution agreements were signed”.



What about TBS?



- TB Directive on Transfer Payments:
 - 6.4.3 Ensuring that, where advance payments of a contribution are essential to the achievement of objectives, they are specifically provided for in the **funding agreement** and are based on the recipient's cash flow requirements.

Take Aways

- Early engagement is key
- Take a step back and focus on the core mission
- If you have a window of opportunity: take it!

Case #2: ON Drinking Water Pilot

- 3 main objectives:
 - Leverage provincial expertise
 - Provide safe alternatives
 - Obtain First Nations buy in



Risks

- Political
- Health and safety
- Program delivery
- Procurement



Risk Mitigation / Risk Sharing

- ON First Nations technical group to share political risk
- ON to certify and commission technologies
- ON to train operators

Surprise!

“PM former aide pleads not guilty to influence peddling”

OTTAWA SUN
TUESDAY, SEPTEMBER 22, 2015

>> PAGE 4
TRANSPO GRAPPLES WITH RIDERSHIP, REVENUE WOES

CITYFOLK BAND PULLS OUT AFTER SPAT WITH ORGANIZER
>> PAGE 5

'ALL ABOUT A PRETTY GIRL'

PM's former aide pleads not guilty to influence peddling >> PAGE 3

Bruce Carson, former adviser to Stephen Harper, outside court yesterday. Inset: then-Gance Michele McPherson in June 2014.

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Take Aways

- Create your opportunities.
- Find partners that have expertise that you don't.
- Think about what you can offer.
- It's probably worth it.

Case # 2½ DND Real Property

- Transformation
- Biggest portfolio in the country
- Not our core business



How is DND doing it?

- P3 project development
- Energy performance contracts
- Partnerships with municipalities
- Service delivery arrangements

Conclusion

- Take risks
- Look for expertise to complement your own
- You need to take risks to mitigate risks