A BETTER WAY TO MANAGE OUR INFRASTRUCTURE

Getting the Best Prices
Making the Best Choices
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MESSAGE FROM THE CHAIR OF THE CONSEIL DU TRÉSOR

On October 5, I asked Infrastructure Québec to proceed with an external analysis of the infrastructure expenditure management and approval process of the Gouvernement du Québec.

Infrastructure Québec then mandated SECOR-KPMG to conduct an audit of certain problem projects and review the ways the Government plans and manages its infrastructures. The SECOR-KPMG report\(^{(1)}\) was released to the public a few days ago. Today I am releasing the answers we intend to give to the recommendations made by SECOR-KPMG.

**Paying the right cost for our public investments and making the right choices for all Quebecers**

This approach is part of coherent logic on the part of the Government, which recently tabled Bill 1, the Integrity in Public Contracts Act, in the National Assembly. Our objectives: restore confidence, prioritize the right projects and manage rigorously.

Planning and management of public infrastructure projects are fundamental responsibilities for the Government. Short-sighted considerations, haste and the inability to prioritize too often marked the previous Government’s action on infrastructures. Even worse, projects were announced without having been budgeted adequately. The SECOR-KPMG report’s findings are severe and show the importance of acting quickly. With the demanding action plan it is adopting today, the Government is remedying this situation.

I also wish to indicate that all the projects currently in progress will be completed, but delivered optimally. Of course, the budget context, more than ever, requires us to make the right choices.

The action plan you will find in this document shows our determination. It is concrete evidence of our intention to restore order in the management of our public infrastructure projects.

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Stéphane Bédard  
Minister responsible for Government Administration  
Chair of the Conseil du trésor

\(^{(1)}\) The SECOR-KPMG report is available on the websites of Infrastructure Québec ([wwwinfra.gouv.qc.ca](http://wwwinfra.gouv.qc.ca)) and the Secrétariat du Conseil du trésor ([www.tresor.gouv.qc.ca](http://www.tresor.gouv.qc.ca)).
HIGHLIGHTS

Over the past few years, often short-sighted considerations guided the previous Government’s action on infrastructure. Projects thus were announced without having been budgeted adequately.

The report requested from SECOR-KPMG illustrates the previous Government’s lack of vision and coherence in its management of public infrastructure projects, and the absence of choice regarding Quebecers’ ability to pay.

Thus, the SECOR-KPMG study on the current management of the Québec Infrastructure Plan (QIP) and the project planning process, entitled Étude sur la gestion actuelle du Plan québécois des infrastructures (QIP) et sur le processus de planification des projets, which has already been released, contains two parts:

- A study of the current management of the QIP and the project planning process, with the aim of providing the new government with a clear and rigorous budget management plan for infrastructure projects.
- An examination of certain aspects of management of critical projects that shows the faults in the current planning process.

The sixteen recommendations formulated by SECOR-KPMG stem from six findings to which the Government is responding with concrete actions:

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The Government is adopting a demanding and coherent action plan to follow up on the recommendations made in the SECOR-KPMG report and to correct the errors of the past as quickly as possible.
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INTRODUCTION

The planning and production of public infrastructures are highly strategic responsibilities. By adopting management processes conforming to the most demanding practices, which allow us to respect our collective ability to pay, the Government is committing its responsibility, not only to all citizens, but to future generations. Roads, hospitals, schools and cultural infrastructures are contributing today and will still contribute tomorrow to Quebecers’ prosperity and quality of life.

Making the right choices and ensuring better planning of public infrastructure projects

For Québec’s new Government, the aim is to adopt a vision, make the right choices and ensure better planning of major projects that impose a commitment on everyone’s future.

Acting quickly after it took office two months ago, the new Government observed the deficiencies that existed under the previous Government in the planning and management of public infrastructure projects. Moreover, cost overruns of nearly 80% have been identified in several major projects since their launch.

SIGNIFICANT UPWARD REVISIONS OF INFRASTRUCTURE PROJECT COSTS

Variance in costs between the initial announcement or the initial cost recorded in the QIP and the forecast actual costs
(all the projects recorded in the 2011-2016 QIP and that appear in at least one previous QIP; total % average variance of the projects concerned)

Source: SECOR-KPMG analysis based on data from the Secrétariat du Conseil du trésor.
To have a clear understanding and obtain a neutral and impartial external vision, a mandate was entrusted to SECOR-KPMG to conduct a study of the current management of the Québec Infrastructure Plan and the project planning process.

The SECOR-KPMG report was released to the public recently. Basically, this report illustrates the lack of vision and incoherence of the former Government in its management of public infrastructure projects, and the absence of choice regarding Quebecers’ ability to pay. Unbudgeted projects in the planning stage, a shifting list of projects, a Québec Infrastructure Plan that only presents a partial image, changes in scope due to a hasty assessment of the needs, debatable contracting practices – these are some of the report’s findings.

The Government therefore today is depositing the main orientations it intends to follow after the tabling of the SECOR-KPMG report. In the months ahead, the analysis of the public infrastructure situation will continue and be refined. The Government therefore will account for this evolution and adjust its action.

**A demanding and coherent action plan to correct the errors of the past**

As set forth in this document, the Government immediately undertakes to:

- implement the recommendations formulated in the SECOR-KPMG report concerning the planning and monitoring process for the infrastructure project portfolio;
- act on the recommendations formulated in the SECOR-KPMG report concerning the individual planning and management process for infrastructure projects.

Order must be restored to management of the infrastructure projects that will define our everyday lives over the next few years. We must restore confidence, prioritize the right projects and manage rigorously.

Finally, a rigorous management process must be adopted, allowing future selection of the most promising projects for Québec’s socioeconomic development. For this purpose, a ten-year plan will be deposited next spring.

This document thus presents all the actions that will be taken in the next few months.
PART 1: IMPLEMENTATION OF THE RECOMMENDATIONS OF THE SECOR-KPMG REPORT

The Gouvernement du Québec intends to act on the sixteen recommendations formulated by SECOR-KPMG in its report on the current management of the Québec Infrastructure Plan (QIP) and the project planning process, entitled Étude sur la gestion actuelle du Plan québécois des infrastructures (QIP) et sur le processus de planification des projets, and will orient its action along six lines:

- Adopt a long-term overall vision of the development of our public infrastructure projects focused on Québec’s priorities.
- Strengthen its analytical capacity and its expertise in project portfolio management.
- Deploy better planning of projects to ensure more informed public choices.
- Make better use of the available resources, particularly to offer better support to the departments and agencies.
- Deploy a management framework for smaller-scale projects as well.
- Strengthen contract management.

These lines of action are presented here in order to achieve the two main objectives set by the Government:

- Ensure a better planning and monitoring process for the infrastructure project portfolio.
- Ensure a better planning and management process for individual projects.

1.1 A better planning and monitoring process for the infrastructure project portfolio

To ensure a better planning and monitoring process for the infrastructure project portfolio, SECOR-KPMG made the following recommendations:

- **Recommendation 1.** All the public infrastructure investments should be recorded in and governed by the QIP.
- **Recommendation 2.** The QIP should be the subject of a separate public document tabled annually in the National Assembly.
- **Recommendation 3.** The list of all the projects recorded in the QIP should be presented in the public document tabled annually.
- **Recommendation 4.** The adoption of a maximum ceiling for public investments realized, as well as the priority given to the maintenance of existing infrastructures and paying down the maintenance deficit should be maintained as long-term objectives.
- **Recommendation 5.** The efforts to update the assessment of the state of the existing asset inventory and the maintenance investment management frameworks should be accelerated and a realistic but short-term schedule should be defined.
• **Recommendation 6.** The government’s major priority investment axes and their bases should be part of the QIP published annually.

• **Recommendation 7.** Government prioritization frameworks and criteria for the new initiatives integrated into the QIP should be defined by the Conseil du trésor, in consultation with the Ministère des Finances et de l’Économie, and shared with the departments and agencies concerned.

• **Recommendation 8.** Accountability on QIP monitoring and results should be strengthened, particularly regarding the realization costs in relation to the planned costs and the achievement of the identified public needs.

• **Recommendation 9.** The QIP should cover a ten-year period by modulating the precision and detail requirements according to the importance of the projects or their type.

• **Recommendation 10.** Strengthening of the internal teams in the departments or agencies that have large project portfolios and at the Secrétariat du Conseil du trésor should be considered to improve investment project planning and monitoring capacity.

The Government will respond to these recommendations by implementing the following elements:

### 1.1.1 For an overall long-term vision focused on Québec’s priorities

**Tabling of a ten-year infrastructure investment plan**

The Government must adopt an overall vision of its investment and infrastructure priorities. This vision plays a determining role in selection of the action sectors and projects.

Currently, the infrastructure project portfolios and the asset maintenance investments are planned over a five-year horizon under the Québec Infrastructure Plan (QIP). However, project planning and execution is often accomplished over a horizon longer than five years.

In addition, certain infrastructure investments are funded outside the QIP. In this context, it is more difficult for decision-makers to have an overall vision, which is required to ensure adequate and informed prioritization of the public infrastructure investment projects.

Consequently, the Government will table a ten-year infrastructure investment plan. This plan will set out the Government’s vision and action priorities. It will allow the Government to proceed with a prospective analysis of the needs, to measure the available leeway accurately, and thus make the right choices.

The ten-year plan will include all the infrastructure projects, without exception. The list of projects will be attached. The infrastructure planning and development process thus will be clearer and more transparent.

**Tabling of Annual Investment Management Plans (AIMP) by the departments and agencies**

To foster parliamentary accountability, the Public Administration Act provides for the tabling in the National Assembly of an integrated set of documents, including the Annual Expenditure Management Plan (AEMP – in French, PAGD) of each portfolio under a Minister’s responsibility.

In the same perspective of transparency and accountability, each Minister will have to prepare an Annual Investment Management Plan (AIMP – in French, PAGI) for the department and the agencies under its responsibility, at the same time as the AEMP.
Parallel performance of work to draw up a precise infrastructure inventory and diagnose practices

Asset maintenance accounts for a very large share of the envelope allocated to the infrastructures. It is thus important to ensure close monitoring of the amounts involved and rigorously establish the evaluation methods for degradation of public infrastructures. Moreover, in a debt reduction context based, in particular, on the reduction of the annual infrastructure investment targets, it is important to obtain an accurate estimate of the amounts necessary to preserve their public works continuously.

Activities thus will be conducted to ensure uniform definitions, concepts and standards regarding asset maintenance.

By winter 2014, work will be undertaken to draw up a precise infrastructure inventory to be maintained, its replacement value and the valuation of its maintenance deficit. The asset maintenance parameters will be valued on the basis of recognized standards. In addition, monitoring indicators will be developed and disseminated.

A directive will be issued after this work.

Overhaul of the infrastructure project management framework

To integrate the conditions of management of the Québec Infrastructure Plan with those related to individual project planning, the project management framework will be overhauled. In particular, the new management framework will specify the project prioritization criteria and the authorization rules. It will also determine the studies and analyses required at the different stages of their planning. Finally, the new framework will follow the tabling of legislation on infrastructure planning and management and can specify certain conditions of application.

1.1.2 For a strengthened analytical and management capacity

Strengthening of the analytical, monitoring and auditing role of the Secrétariat du Conseil du trésor

To strengthen the role of analyzing information allowing public decision-makers to make the most informed choices possible, particularly regarding the financial impacts or the performance deadlines, but also to ensure better coordination of interventions, the Secrétariat du Conseil du trésor (SCT) will ensure maximization of the use of its resources currently consolidated within the team responsible for monitoring the infrastructure investment plan at the Sous-secrétariat aux politiques budgétaires et aux programmes and within the Bureau de la gouvernance des projets d’infrastructure of the Sous-secrétariat aux marchés publics.

The strengthening of its auditing and analytical role will allow the SCT to assume the following mandates, in particular: analyze the authorization memoranda on the expediency of carrying out a major project; record the new projects in the infrastructure investment plan; ensure that these new projects are funded adequately; update the infrastructure project management framework and see to its application; monitor asset maintenance, its evaluation methods and the envelope allocated for this purpose; annually produce the ten-year investment plan and monitor it.
Strengthening the project teams within the departments and agencies

Because certain departments or agencies have not deployed sufficient teams to manage their project portfolio adequately, resources will have to be reallocated in the departments and agencies that have a large portfolio, particularly to meet the new accountability requirements.

1.2 A better individual planning and management process for infrastructure projects

To ensure a better individual planning and management process for infrastructure projects, SECOR-KPMG made the following recommendations:

- **Recommendation 11.** The Strategic Presentation File (Dossier de présentation stratégique, or DPS) should be strengthened, particularly by serving as the prerequisite for recording in the QIP, further developing the public choice, cost estimating and the governance structure, and then accompanying a memorandum to the Cabinet for approval of the project.

- **Recommendation 12.** If the project approved at the Strategic Presentation File (DPS) stage stays within a price range and does not undergo any material change in scope, the government departments and agencies would not have to return to the central authorities and the Cabinet for the Initial Business Case (Dossier d’affaires initial, or DAI) and the Final Business Case (Dossier d’affaires final, or DAF).

- **Recommendation 13.** The mission and the contribution of Infrastructure Québec should be focused on supporting the government departments and agencies, not only regarding compliance with the Policy Framework, but in supporting better project management.

- **Recommendation 14.** The development of a governance framework adapted to projects of less than $40 million should be pursued.

- **Recommendation 15.** The Strategic Presentation File (DPS) should contain an adequate cost provision by adding a risk envelope that reflects the high margin of error at this stage.

- **Recommendation 16.** In the application of the Policy Framework, special attention should be paid to the schedules of the proposed projects and situations where urgency is invoked.

The Government will respond to these recommendations by implementing the following elements:

1.2.1 BETTER PROJECT PLANNING FOR INFORMED PUBLIC CHOICES

- **Modification of the current management framework and approval of major projects by the Cabinet before their startup**

Currently, according to the directives in force, projects are submitted to the Government upon approval of the Initial Business Case (DAI) and the Final Business Case (DAF), i.e. when the project is in the planning phase. The Cabinet thus is not involved in the project startup. However, it is at this startup stage that a clear public choice must be made by the Government.

From now on, the public choice to carry out a major project will be the object of a Cabinet decision based on a thoroughly documented file that will be presented by the Minister in charge.
Thus, the project authorization memorandum, and the Project Analysis File\(^{(2)}\) that will accompany it, will have to contain a socioeconomic and financial analysis allowing comparison of the economic and social profitability of the projects and favouring decision-making.

The choice of options and the delivery mode approach will also be determined during this stage, and not subsequently during the first phase of preparation of the business case\(^{(3)}\), as is currently done.

The Project Analysis File will also have to make adequate provision for costs. Because the margin of error is higher at this stage, the risk envelope must reflect this situation.

The Project Analysis File will also be evaluated systematically by the SCT with the contribution of independent experts, if this proves necessary, and their examination will mainly focus on the costs and the choices of the option.

Finally, for the two Business Case preparation phases\(^{(4)}\), Cabinet authorization will be required only in case of cost overruns in relation to the Project Analysis File, according to benchmarks that will be specified. Thus, for the controlled projects, the process will be simplified, because they will only have to pass one government approval stage.

The current management framework thus will be modified in winter 2013 to act on this first measure. A preparation guide, specifying the deliverables to provide, will be produced and disseminated at the same time.

1.2.2 FOR BETTER UTILIZATION OF RESOURCES

**Creation of the Agence des Transports**

The Premier announced the tabling of a bill for the creation of a transportation agency, the Agence des transports. This agency will be responsible for operational functions, while the Ministère des Transports will be called on to concentrate on the planning and design of orientations and major policies.

The creation of the Agence des Transports is intended to strengthen Government knowhow and allow much more vigilant management of the public funds invested in transportation. It will thus contribute to the planning and performance of major transportation infrastructure projects and, in particular, will ensure optimum management risks, costs and schedules.

**Merger of SIQ and IQ so that the project planning and performance mandates are consolidated in the same organization**

Moreover, to the extent that the Secrétariat du Conseil du trésor will be called on to play a greater role in validation of the projects upstream and in the overall monitoring of the projects, it will be necessary to review the role of Infrastructure Québec (IQ) so that it offers better support to the departments and agencies.

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\(^{(2)}\) Currently called “Dossier de présentation stratégique (DPS)” (Strategic Presentation File) in the Policy Framework.

\(^{(3)}\) Currently called “Dossier d’affaires initial (DAI)” (Initial Business Case) in the Policy Framework.

\(^{(4)}\) Currently called “Dossier d’affaires initial (DAI)” (Initial Business Case) and “Dossier d’affaires final (DAF)” (Final Business Case) in the Policy Framework.
However, IQ has little organizational leverage. It only has about sixty employees to manage a project portfolio of over $30 billion and lacks project management expertise. Operating parallel to IQ, Société immobilière du Québec (SIQ) has expertise in executing projects.

A merger of these two organizations will ensure perfect complementarity in the management of public infrastructure projects and will allow better synergy between their planning and execution.

Moreover, the SIQ-IQ merger will help strengthen the current capacity of IQ interventions and make SIQ more accountable for the costs and scope of the projects. Indeed, SIQ currently meets its customers’ requirements, and any cost overrun is assumed by the customers through user fees or rental costs.

In the context of creation of the Agence des Transports, maintenance of IQ’s responsibilities regarding the transportation sector would increase the burden of the approval rules that it is likely the boards of directors of the two agencies would have to approve.

Thus, following the SIQ-IQ merger, a new agency responsible for buildings, on the one hand, and the Agence des Transports, on the other hand, will each be responsible for the planning and execution of their respective projects. The mandates of the two agencies will be similar in their sphere of intervention, which will help ensure greater coherence of public interventions on infrastructure.

Within this framework, the two phases of preparation of the Business Case, both for transportation projects and for others, will be approved by the board of directors of the agency responsible for the project, which will submit it to the Cabinet only in the case of cost overruns in relation to the benchmarks.

On a transitional basis, the agency responsible for buildings will continue to see to the sound planning of transportation projects until the Agence des Transports is constituted.

The SIQ-IQ merger will be accomplished within the context of a bill on infrastructure planning and management tabled in spring 2013.

It is also possible that this bill will integrate certain elements of the infrastructure project management framework in order to make them permanent, as well as conditions for strengthening accountability.

### 1.2.3 A RIGOROUS APPROACH FOR SMALLER-SCALE PROJECTS AS WELL

Strengthening the management framework for major projects responds to a necessity. Nonetheless, it was not normal that no special requirements apply to smaller-scale projects with projected costs ranging between $5 million and $40 million.

**Adoption of a management framework for projects valued at $5 million to $40 million**

The Government intends to remedy this situation next winter by releasing a management framework for smaller-scale projects, which will be integrated with the framework for major projects, but more flexible in its application.

For these projects, the approval of the Conseil du trésor or the Cabinet will not be necessary. Moreover, the departments and agencies will not have the obligation to deal with Infrastructure Québec.

Nonetheless, they will have to constitute a project portfolio office, known as the Bureau de portefeuille de projets, and be accountable annually for the progress of their projects.
1.2.4 FOR STRENGTHENED CONTRACT MANAGEMENT

The urgency of action may result in non-optimum contractual practices, in addition to exerting pressure on costs. For example:

- In the Route des monts Otish road project, the firm responsible for project management was also entrusted with the preparation of the Business Case.
- In the Turcot project, the firm that developed the project design also bid on the construction contract.

 região Review of the Government’s contracting practices

By tabling Bill 1, the Integrity in Public Contracts Act, the Government has initiated its first phase of cleaning up its ties with companies in a contractual relationship with the State. One of the other phases under consideration concerns the review of the contracting practices currently prevailing both in infrastructure projects and in other Government contracts.

The Government thus intends to continue on this path and review all the contracting practices, with the goal of harmonizing them and making them more efficient. Better contract management will also allow healthy competition and the obtaining of better prices for the performance of infrastructure work. In this regard, the Government’s objective is to become an exemplary originator of public contracts.

The Government will act quickly to request that the originator departments and agencies adopt independence and impermeability rules (exclusion and other rules) in awarding contracts related to infrastructure projects.

These rules will be made public and will have to be based on sound project management practices. Any derogation will be documented and disseminated. With these independence and impermeability rules, the Government will respond to the concerns expressed by the Auditor General.
**PART 2: THE GOVERNMENT ADOPTS A DEMANDING ACTION PLAN**

To implement the responses the Government intends to provide to the recommendations made by SECOR-KPMG, the following schedule will be applied:

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<th>Year</th>
<th>Action Plan</th>
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| **Winter 2013** | Adoption of a management framework for projects ranging in value from $5 million to $40 million  
Strengthening of the analytical, monitoring and auditing role of the Secrétariat du Conseil du trésor and deployment of project portfolio offices in certain departments  
First modification of the major project management framework  
- Project authorization memorandum to the Cabinet  
- Preparation guide in support  
Dissemination of independence and impermeability rules in the awarding of contracts by originator departments and agencies |
| **Spring 2013** | Tabling of the ten-year investment plan  
- Vision for the next 10 years  
Tabling for adoption in the spring of legislation on infrastructure planning and management  
- SIQ-IQ merger  
- Certain requirements of the management framework and the accountability obligations that it would include |
| **Fall 2013** | Overhaul of the infrastructure project management framework  
- Amalgamation of the management conditions of the Québec Infrastructure Plan with those related to individual project planning  
Harmonization of contracting practices and optimum management of public contracts |
| **Winter 2014** | Finalization of the evaluation of the infrastructure inventory and adoption of a directive concerning the asset maintenance parameters  
Tabling of annual investment management plans by the departments and agencies |
CONCLUSION

Parallel to the implementation of the action plan, which will be rolled out over the next few months, the Government has already made decisions regarding the continuation of certain projects.

The Route des monts Otish project

The Route des monts Otish project provides for the construction of a permanent 240 kilometre road extending Route 167 to the Monts Otish. In November 2010, its initial cost was $260 million. Last August, the design and construction costs estimated with inflation and risks were assessed at $471.6 million. This road must provide access to the Stornoway firm’s Renard diamond mine.

Construction of the road was divided into four lots:

- Lot A (km 0 to 82)
- Lot B (km 82 to 143)
- Lot C (km 143 to 195)
- Lot D (km 195 to 240)

On November 15, 2012, the Government announced that a new agreement was made with Stornoway to complete the work on Route 167. This agreement thus ensures the concretization of the Renard project. The Government undertakes to finalize the construction of the regional highway on a 143 km section, and Stornoway will take charge of construction of a mining road on a 97 km section.

This decision will result in a $124 million reduction of the contribution by the Gouvernement du Québec to the construction of this road project. This substantial saving is based in part on a change of vocation of the last segments of Route 167, which become a mining road instead of a regional highway.

This is a responsible decision that not only allows the construction of a major project, but generates savings of $124 million.

The Government commits to the completion of projects currently in progress

The current Government undertakes that none of the projects currently in progress will be called into question. All the projects that have already begun will be completed, but delivered optimally. The Route des monts Otish project is a good example of how this will be done.

Planning of projects under study will continue

The ten-year investment plan will allow selection, among the projects currently in the planning stage and emerging projects, of those with the greatest potential for Québec’s socioeconomic development. This plan will be tabled next spring.