



# Transport Canada's Centre of Excellence on Strategic Investments

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to Financial Management Institute

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# Delivering Large-Scale Commercial Transactions

- The Government of Canada has an ambitious program of strategic investments and business transformation initiatives.
- These large-scale initiatives can be a source of significant pride and value to Canadians when they succeed, but can also result in significant setbacks when they fail to deliver (too late, too costly, not delivering what was expected).
- These transactions require special skill sets to be successfully delivered.
- Until its dissolution in 2018, PPP Canada was a leading source of information and expertise on commercial matters for many federal departments.

# Delivering Large-Scale Commercial Transactions (cont'd)

- Sufficient internal capacity to plan and implement these complex transactions is critical to success. However, many departmental policy and program leads lack the necessary expertise.
- This absence of expertise can, in part, be attributed to the fact that:
  - Individual project leads do not undertake such transactions on a regular basis thus preventing the development of dedicated in-house expertise; and,
  - Skills and expertise are typically geared at operating within the government, not the commercial world.
- This recognition led Transport Canada to address this gap by creating the Centre of Excellence on Strategic Investments, with the skills and experiences necessary to plan and execute large-scale commercial transactions in a focused, dedicated and consistent manner.



# Who Are We



- The Centre of Excellence for Strategic Investments was created in April 2018 within the Policy Group of Transport Canada (TC) with two strategic primary objectives:
  - To develop and implement a robust and agile approach to strategic investment decisions; and,
  - To execute complex projects and transactions through a disciplined and commercially savvy approach.
- Led by Director General and supported by a small staff of 8-10 FTEs with significant experience and skills in the planning and execution of large-scale commercial transactions and business transformation initiatives (financial manager, procurement specialist, economist)
- Total annual budget of approximately \$1.4 million.



In all we do, good project governance is an overarching consideration, namely disciplined governance/decision-making architecture.

# What We Do - World Class Strategy



- **Analysis** - Robust and timely analysis, including but not limited to economic, financial, legal and socio-economic considerations.



- **Risk Management** – Comprehensive approach to early identification, allocation and ongoing management of risks.



- **Financial Forecast** – High-quality, worldclass, financial analysis and probabilistic forecasts.



- **Expertise** - Identification of expertise gaps, and development of strategies to ensure that project teams reflect requisite skills and capacity.



- **Advice** - High-quality, evidence-based advice and actionable recommendations to senior management, Minister(s) and Cabinet.



- **Investment Decision Toolkit** - A suite of department-wide structures, tools, training and processes to support investment decisions.



- **Procurement** – Efficient procurement of expert advisory services in accordance with GC policies and legislation.

# What We Do - World Class Project Execution



- **Planning** - Disciplined planning: plans, scheduling, scope, risk and cost.



- **Execution** - Disciplined execution: clear roles, responsibilities and accountability. Project integration and effective management of scope, schedule, cost, quality, risk and procurement.



- **Oversight** - Inclusion of appropriate oversight mechanisms by third parties where appropriate.



- **Business Acumen** - Commercial terms and conditions reflect sound allocation of risks between stakeholders and support the GC's economic, social and environmental objectives.



- **Negotiation** - Rigorous approach to negotiation preparation based on sound principles and expertise to achieve desired outcomes.



- **Transaction Close** - Appropriate, multidisciplinary teams and implementation plan to achieve successful execution of transactions (including Financial Close).



- **Results** - GC objectives central to investment decisions, results monitored and where possible integrated into the incentive structure of contracts.

# Business Model

- Integrated approach to project planning and delivery, from project start to project delivery.
- Source of expertise, but not the project lead.
- Matrix-based organization which provides flexibility to assign resources quickly.
- Not typically involved in the day-to-day management of the files that it supports (ministerial briefing notes, speeches, ministerial correspondence, etc.), allowing focused and undistracted attention to progressing initiatives.
- One of the key roles of organization is to plan and execute in an effective and timely manner consulting contracts with outside financial management firms and act as a knowledgeable client.

# Our Partners



- To be effective and successful, the Center must and does work closely with a number of partners.
- Overall leadership for the files is exercised by the policy/program lead responsible for a specific initiative and that ultimately has the primary responsibility for advising the Minister.
- The Centre interacts with Central Agencies (Finance, Treasury Board, PSPC, Justice) and Infrastructure Canada.

# How We Made a Difference – Case Studies

- VIA Rail's High-Frequency Rail (HFR)
- The commercialization of Canadian Air Transportation Safety Authority (CATSA)
- Eastern Ferries Procurement

# VIA Rail High Frequency Rail

- **Project Synopsis** - VIA's HFR project proposes to create a dedicated passenger rail network to provide faster, more frequent, reliable and safe rail service in the Windsor-Quebec City corridor, in particular between Toronto, Ottawa, Montreal and Quebec City. A faster, more frequent service is expected to increase ridership and revenues and decrease the need for Government funding.
- **TC Objective:** GC to make an evidence-based decision with respect to the investment decision.



# VIA Rail High Frequency Rail

The Centre's contribution will include:



Key contributions to date:

- Defining the decision roadmap
- Determining the expertise and budget required for project definition
- Ensuring that appropriate due diligence is performed
- Implementing a robust market sounding approach
- Creating and managing DM/CEO level governance mechanism

Results to date:

- Creation of an VIA Rail/Canada Infrastructure Bank - Joint Project Office
- Investment of \$71.1M to advance and de-risk the proposal

# Commercialization of CATSA

- **Project Synopsis** – The Canadian Air Transport Security Authority (CATSA) is a Crown Corporation that oversees security screening at Canadian airports. In order to ensure that the screening service remains internationally competitive as passenger volumes grow, Budget 2019 committed funding to transfer CATSA's assets and responsibilities to a new, private, non-share Capital Corporation.
- **TC Objective:** The GC successfully negotiates a mutually beneficial sale transaction



# Commercialization of CATSA

The Centre's contribution will include:



Key contributions to date:

- Defining a joint implementation timeline between the seller and buyer
- Ensuring that appropriate due diligence is performed
- Providing procurement support for the selection and management of external advisors
- Ensuring that robust financial analysis is done

Key project results to date:

- Industry created a new not-for-profit entity to purchase CATSA's assets
- Successful launch of discussion with industry
- Nearing completion of financial/commercial due diligence

# Eastern Ferries Procurement

- **Project Synopsis** – Procurement of two new inter-provincial ferries operating between PEI and Nova Scotia, and PEI and Îles-de-la-Madeleine, QC. The two new vessels are expected to improve the reliability and quality of service, to operate within the physical and operational limitations of existing terminals, and provide interoperability to the greatest extent possible.
- **TC Objective:** Deliver two new ferry vessels on time and on budget to improve the long-term reliability of ferry services in Eastern Canada.



# Eastern Ferries Procurement

The Centre's contribution will include:



Key contributions to date:

- Strategic advice and support on project governance
- Procurement support for the selection and management of external advisors
- Support and advice on project planning

Project results to date:

- Confirmed policy direction and funding
- Completed procurement of technical advisors
- Launched negotiations with shipyard

# Success Factors

## Getting the right people

- Recruiting staff with diverse expertise (finance, procurement, project management)
- Employing a matrix-based organization where resources can be easily deployed where needed
- Ensuring that staff have a high level of curiosity and tolerance for ambiguity

## Focusing on decision architecture

- Developing a shareholder mindset
- Identifying and mapping of risk, decision point, necessary evidence and decision makers to develop governance
- Securing outside expertise and resources commensurate with the project

## Developing trust

- Getting support from the top
- Developing strong partnerships with key stakeholders
- Understanding where the organization can add value and where it does not (lead, follow or get out of the way)



# QUESTIONS