

Ontario's rail PPP push

Sakshi Sharma

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Ontario's provincial procurement agency Infrastructure Ontario (IO) and transportation agency Metrolinx have begun to actively seek private sector proposals for the design, build, and finance (and where required operation and maintenance) large portions of a planned expansion of the GO Regional Express Rail (RER) and light rail transit across the Greater Toronto region.

[The four recently launched tenders](#), among which three seek proposals for RER expansion projects while a third involves the province's third light rail transit project, are understood to be the beginning of a larger wave of future tenders to advance the planned investment programme, sources told *IJGlobal*. The province hopes to speed up rail transit across the Greater Toronto and Hamilton Area and offload traffic congestion on Toronto's arterial roads through the investment programme, which was launched in 2014.

The four projects are being tendered under IO's Alternative Financing and Procurement (AFP) delivery model - or essentially as PPPs - where the province transfers the appropriate risks associated with design, construction, financing, operation and maintenance of the project to the private sector. The soon to come wave of rail projects are also expected to be delivered under the AFP model. Ontario's regional heavy rail and light rail transit projects are part of a larger C\$30 billion *Moving Ontario Forward* 10-year investment plan, that the province first announced in 2014 and re-addressed for a budget upsize in 2015, covering public transit, roads, bridges and highways.

Rail ambitions

GO Transit, an operating division of Metrolinx which merged operations with the agency in 2009, is the province's only inter-regional public transportation service for the Greater Toronto and Hamilton Area (GTHA). GO Transit has historically only offered two-way, all-day services along only a few lines (Lakeshore East and Lakeshore West lines), while only providing peak rush hour service on its other lines. Through the wider RER and LRT expansion programme, the province seeks to improve service across many lines on the existing GO Transit network including extensions to Hamilton and Bowmanville, as well as new GO Transit corridors to Bolton, Seaton and Locust Hill.

Specifically, the Regional Express Rail (RER) project will expand the GO Transit lines by adding an all-day, two-way service to the Barrie line and the inner portions of the Kitchener line and the Stouffville line, and by increasing frequency of train service on rest of the corridors to as often as every 15 minutes. RER also involves full electrification of the Lakeshore East and West lines and the remaining corridors. With RER, Metrolinx expects to nearly double ridership to 127 million riders per year by about 2029 from 65.7 million in 2015.

Of the total *Moving Ontario Forward* budget about C\$13-16 billion comprises the RER and transit programmes across the GTHA. Once complete, the RER programme is expected to provide faster, more frequent and more convenient transit service across the GTHA on the GO rail network by 2024-25.

But neither IO or Metrolinx have yet publicly stated plans to raise rail fares as a result of the planned rapid expansion.

The need for the programme, the agencies said, rose from the congestion in the GTHA which the provincial government says is a more 'serious' problem as the region grows and the existing infrastructure will not be able to support the projected future growth in the region.

"Ontario is in the midst of the much larger RER programme, which is moving along very quickly," a Metrolinx spokesperson told *IJGlobal*. They added that Infrastructure Ontario has a mandate to evaluate any project that has a capital value of over C\$50 million for delivery under the AFP model. While the capital value of the recently launched tenders has not been disclosed at this stage, typically rail projects of this magnitude would range from C\$300-C\$2 billion [See table below: Ontario's rail pipeline to date]. So the government is likely to concession-out a bulk of these projects to the private sector especially where it is considering refurbishing entire rail rolling stock, railway stations and track electrification.

Transaction Name	Transaction Stage	Value (\$m)	Financial Close Date	Sub-sector
Stouffville Corridor Transit Stations Upgrade PPP	Pre-financing			Transit
Cooksville GO Rail Transit Station PPP	Pre-financing			Transit,Tunnels
Cataraqui River New Bridge PPP	Pre-financing			Bridges
Finch West Light Rail Transit PPP	Pre-financing	773.71		Transit
York Viva Bus Rapid Transit Expansion PPP	Financial close	249.86	28/09/2015	Transit
Eglinton Crosstown LRT PPP	Financial close	1,054.66	21/07/2015	Transit
East Rail Maintenance Facility PPP	Financial close	493.23	27/03/2015	Heavy Rail
Waterloo Rapid Transit PPP ION Stage 1	Financial close	909.42	09/05/2014	Transit
Sheppard East Light Rail Maintenance Facility	Financing			Transit
Ottawa Light Rail Transit - Confederation Line	Financial close	512.06	12/02/2013	Transit
Toronto Port Pedestrian Tunnel PPP	Financial close	83	08/03/2012	Tunnels
Ontario Air Rail Link PPP	Financial close	123.90	20/12/2011	Heavy Rail
Highway 401 Rail Tunnel	Pre-financing			Tunnels
				Source: IJGlobal

Transit successes

IO this week (18 October 2016) issued a tender to solicit proposals for its latest LRT pursuit, the [Hurontario light rail transit \(LRT\) project](#), as was previously reported exclusively by *IJGlobal*. A team of advisers comprising AECOM, AON, P1 Consulting and TBA is advising IO on the procurement. The 23.2km Hurontario LRT will be a double track light rail transit system that will run between the Port Credit GO station in the City of Mississauga to Downtown GO station in the City of Brampton. The new modern light rail vehicles will travel in a dedicated right-of-way and serve 22 stops with connections to GO Transit’s Milton and Lakeshore West rail lines, Mississauga MiWay, Brampton Züm, and the Mississauga Transitway BRT.

Hurontario LRT is the latest rail transit PPP for the province of Ontario, and overall the fourth launched to date according to *IJGlobal* data, after its [C\\$5.3 billion \(\\$4.02 billion\) Eglinton Crosstown LRT project](#) in Toronto that reached financial close in July 2015, the [Waterloo LRT](#) in the City of Waterloo and the Confederation Line in Ottawa that are under construction, and the [11km long Finch West LRT](#) which is at final bid stage with three shortlisted groups. A third project, the 13km Sheppard East LRT along Sheppard Avenue from Don Mills subway station to east of Morningside Avenue in Toronto, is still in planning and awaiting an RFQ. IO also plans a C\$1.48 billion investment to replace the existing Scarborough rail transit. The government of Ontario has committed C\$8.4 billion in support of new transit for Toronto.

The province has typically backed its transit projects with 80-85% completion payments to leverage better value for money for AFP projects, but that has resulted in shrinking equity checks which has soured many sponsors in the past. But today, this doesn't deter sponsors from participating in IO-led deals, an equity shareholder in one of IO's recent LRT transaction told *IJGlobal*. They added that the procurement to financing time period efficiency offered by the province is encouraging and that they would continue to seek a role in the future project pipeline. The financing package for the LRT projects financed to date comprises a bank-bond hybrid, reflecting the appetite of both medium and long-term investors for the asset class.

Ontario, which traditionally boasts of a solid social infrastructure PPP/AFP delivery pipeline, plans to further strengthen its position on the transportation side, especially with these rail and transit expansion schemes over the next decade.

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