



House of Commons  
CANADA

## **Standing Committee on Finance**

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FINA • NUMBER 005 • 2nd SESSION • 40th PARLIAMENT

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**EVIDENCE**

**Thursday, February 12, 2009**

**Chair**

**Mr. James Rajotte**

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## Standing Committee on Finance

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● (0900)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** This is the fifth meeting of the Standing Committee on Finance in the second session of the 40th Parliament.

This morning we have the Minister of Transport, Infrastructure and Communities, pursuant to Standing Order 108(2), a study on the financial priorities of the federal government.

We have two sessions here today. From 9 to 10 we have the Honourable John Baird.

Welcome, Minister. I believe you have three officials with you, who I will ask you to introduce in your opening presentation.

Minister, I know there are a lot of questions from members across the country about infrastructure. It's obviously a big issue with respect to the budget implementation act, which is being discussed in the House presently. So we'll ask you to make an opening statement of up to 10 minutes long, and then we'll go immediately to questions from members for about 45 to 50 minutes.

You may begin at any time. Welcome to the committee.

[Translation]

**Hon. John Baird (Minister of Transport, Infrastructure and Communities):** Thank you very much, Mr. Chair. It's a great pleasure for me to be here.

[English]

I was particularly excited to be asked to come before the finance committee for two big reasons: one, because I've never appeared before committee with your able chairmanship; and two, I have great admiration and respect, and even a bit of affection, for the finance critic of the official opposition. When I was asked to come here, I just thought what a great opportunity it would be for him to ask me questions and to have an exchange with him. As I'm not the finance minister, I don't have that luxury in the House of Commons. I have great respect for him, and I'm looking forward to his able questions and his wise helmsmanship of the finance file for the official opposition.

So thank you for being here, Mr. McCallum.

I have prepared a speech, but I thought I might just speak off the cuff about infrastructure spending.

Obviously we're facing some global economic uncertainty, global economic challenges. Canada is not immune to that. All the G20 leaders have agreed there is a need for major stimulus. We started

that in 2008 with significant tax reductions. We started that with significant infrastructure investments, but we realize we have to build on that. We think it is incredibly important to push infrastructure projects. We believe they are not the whole answer, but they could be an important shot in the arm for the Canadian economy. That's why we're moving aggressively on infrastructure spending.

The one thing that successive governments have established is that, in a federation like Canada, you have to work together with provincial and territorial governments, and you have to work together with municipalities across the country. These issues are never easy. They're never fast.

The previous government and our government have set up programs and often taken a year or even three years—in the case of the previous government's infrastructure program announced in 2003—to negotiate framework agreements with every province and then to get projects going. Particularly, major projects don't turn on a dime. We're moving forward aggressively, for example, as a partner with the Spadina subway extension in Toronto, and the City of Toronto—the TTC—doesn't have the luxury of being able to have significant amounts of engineering work and design and environmental assessments all done before federal funding kicks in, because they simply don't have the financial flexibility to do that.

We have to deal with a lot of regulatory, legislative, and process issues. When the Prime Minister asked me to take on this position, one of the mandates he gave me was to speed up the process, because I don't think any of us—any provincial or territorial or municipal government—is satisfied with the speed with which infrastructure programs have worked, even over the last 25 years.

We are making record investments in infrastructure. One of the principal ways we do that is by providing a gas tax transfer directly to municipalities. We made that permanent in last year's budget, and those cheques are sent out twice annually to municipalities across the country, sometimes through the provincial government and sometimes through municipal associations, depending upon where you are in the country. That's very important, as is the GST rebate, which is another source of financial support that municipalities have to be able to count on in the long term. That is dealt with by the Department of National Revenue.

Those two constitute the majority of infrastructure spending. When it comes to the individual framework agreements we have with provinces, they have taken too long. They are too slow. They are too bureaucratic. And when the Prime Minister gave me these responsibilities he asked me not just to work with my officials but to speak to every single province, every single territory, and municipal leaders from across the country. We did that in December and concluded a final few in January.

I went out to every single provincial and territorial government and asked what the barriers were to things happening on infrastructure. We listened and we learned. We looked at the work that had been done by successive committees in the House of Commons. We got a lot of advice from the Federation of Canadian Municipalities. We got it from the Association of Municipalities of Ontario. In these infrastructure meetings around the country we invited municipal leaders to participate, and I think the process was stronger because of that.

We've come forward with a five-point action plan, which is the federal response to what we could do to speed these projects up. We're going to be proposing amendments to the Navigable Waters Protection Act. Everywhere we went there was virtual unanimity that we had to tackle this problem. One premier called it the biggest job-killer in his province, and we agree. We got unanimous consensus from all of the provincial and territorial leaders to make changes. Those are contained in the budget bill. They're in the budget bill because they're an important part of our national economic plan, and we believe we need to move expeditiously on it.

● (0905)

We looked also at the issue of regulatory reform. Every single province and territory that we spoke with asked, do we need one, two, three, four different types of environmental assessments? We need to protect the environment and we do that in different ways.

I was interested to learn that under the infrastructure program our government inherited, the overwhelming number today—before any changes are made—of environmental assessments preclude requiring any federal environmental assessment to take place. We'll give \$20-odd billion for the transfers in the gas tax for infrastructure, and then the GST rebate, and there's not a single requirement whatsoever for any federal environmental assessment to take place in those direct transfers; neither is there in the base funding of our federal infrastructure program, which gives a base to every province, however big or small, to deal with.

We talked to all the premiers. I talked to premiers who are particularly well respected for their role on the environment: Gary Doer, Gordon Campbell, and Dalton McGuinty particularly. We said, could we not have one environmental assessment that could be done? The challenge is that if there is an infrastructure project all ready to go—"shovel-ready" is the common word—it can't go forward. It can't go forward because they don't have money, and the minute the federal government gives them one dollar, in today's regime, directly it triggers a full federal environmental assessment. That could delay the project for 18 months or two years, despite the fact that it's had a full environmental assessment at another level of government.

So we're making changes under existing legislative authorities for the next two years to fast-track these projects. I think that's a result of what we heard in our consultations. It's also an acknowledgement of the significant economic challenges we're facing.

We're also making changes to try to streamline consideration of issues under the Fisheries Act with my colleague the Minister of Fisheries and Oceans. We're looking at what we can do to have more direct consultations with first nations. If you're going to build a 300-kilometre highway, obviously that's a significant issue; if you're simply repaving a road at a \$25,000 cost, that's a very different issue.

Finally, we're looking at what we can do to streamline the bureaucratic rule-making and red tape within government. Wayne Wouters, the Secretary of the Treasury Board, was reported to have given a speech recently in which he talked about the web of rules that has been built up by successive governments. Every time, under a Conservative or a Liberal government, in this country that there was a scandal, there were more and more rules placed on these projects, and they have almost strait-jacketed us.

None of the ones that we put forward in the Federal Accountability Act dealt with these, but when I was the President of the Treasury Board I appointed Frances Lankin, now the Honourable Frances Lankin, to head up a blue-ribbon task force on the web of rules and what we could do concerning grants and contributions, particularly in non-profit agencies, to make sure that we had important accountability measures in place but that we didn't measure accountability by the tonnage of paper used annually. They came forward with some significant positive recommendations for us, and we're looking at what we can do to reduce some of that red tape web of rules at Infrastructure Canada.

We're committed to doing our part to make things happen. Things have not happened fast enough. There is often a significant delay from the time we announce the project until the shovel goes in.

Finally, I'd highlight that one of the good financial administration practices brought in by the previous government, of which Mr. McCallum was a member, was that we have very tight money management policies. We don't give a \$2 billion cheque out to someone if they're not ready to start putting a shovel in the ground.

For example, we're very proud to be supporters of the Spadina subway extension at Infrastructure Canada. We announced it two years ago. We didn't give them all the money up front because they weren't spending it. They're going to be putting the shovel in the ground shortly.

And we've come forward with a new policy to guarantee to municipalities and provinces that we'll pay invoices within 30 days. If there are specific requests for advance payments that will allow the project to go forward, we will entertain those and respond as expeditiously as possible.

That gives you a bit of an outline of where I see things standing, Mr. Chair. I particularly look forward to the well-respected questions from my colleague the member for Markham—Unionville.

● (0910)

**The Chair:** Thank you very much, Minister Baird.

Despite your lavish praise and respect for Mr. McCallum, we'll be starting with Mr. Kennedy.

**Some hon. members:** Oh, oh!

**The Chair:** Mr. Kennedy, you have seven minutes.

**Mr. Gerard Kennedy (Parkdale—High Park, Lib.):** You are significantly downgraded in your level of critic, but you know that from your prior provincial experience and from a few days ago.

I'd like to pick up from where we went in the transport, infrastructure and communities committee, because I'm sure, Mr. Minister, you didn't have a fulsome response then in terms of the time we had available.

A few days ago, you put out this performance report for Infrastructure Canada. There's a very nice picture of you in it and your signature and so on. In it you basically admit that your department, your government, couldn't spend any of the money it allocated in 2007-08. Of the \$899 million you put forward in five different programs, only 4% of it was expended in that year. I guess there's been a lot of talking. You've talked to a lot of people and you're talking to us today, but I'm wondering if you could get more specific.

Can you tell us the specific actions you're going to take, and can you tell us very specifically how much money you're getting out the door this year? How much money is actually projected now to be spent? Because this most recent record...I think you'd have to admit that 4%, notwithstanding all the caveats you might like to put forward, is a pretty dismal achievement. It's your report card. It's signed by you. There's no money for the Building Canada Fund even committed in estimates and none out the door. There's money committed for a whole range of other programs in terms of the borders, in terms of P3s and so on, and as you see in the report, not a nickel of it is spent.

So we need to understand, Mr. Minister, your grasp on how it is you're going to turn that around so completely. So I'm wondering if you could tell us the specific actions you're taking, because these are your programs that didn't work up to now.

**Hon. John Baird:** I first looked at what had been the past experience. What is the year of the report you just presented?

**Mr. Gerard Kennedy:** This is this week's performance report for Infrastructure Canada for the fiscal year 2007-08, and it covers all the programs and your performance. And under your signature, Minister, it talks about your accountability, your willingness to be measured by what's in this report, and it makes very clear, Mr. Minister, that all the Conservative initiatives...and in fact, except for the \$40 million under one of the funds, for the Pacific gateway, all the rest of the \$1.9 billion were initiatives of the previous government. So I think it's really important that you tell us how you're changing things. Also, I think a little demonstration of good faith would be to tell us how you know how much money is being spent this particular fiscal year.

● (0915)

**Hon. John Baird:** You mentioned it was this week's report and you quoted it was the 2007-08 fiscal year, but of course it was not the period for which I was minister. However, I was a member of the cabinet and I did look at the challenges we've had in recent years.

You mentioned the previous infrastructure program, the Canada Strategic Infrastructure Fund, which I think by all accounts was well received by provinces and territories. It was announced in budget 2001. However, even by 2003 not a single dollar was spent because we have had to negotiate contribution agreements, framework agreements, with every province and territory.

I'll tell you specifically what we've done, because like you I'm not satisfied. I think there is a need for speed at this critical time in our economic history. So here's specifically what we're doing with the new programs we've come forward with in the budget.

I'll talk first about the \$4 billion stimulus fund. We will not be negotiating contribution agreements and framework agreements with provinces and territories, so we can move right to end game. We're not going to require a separate federal environmental assessment—

**Mr. Gerard Kennedy:** I did have the good fortune of having a briefing from your officials yesterday on what I think you call the five-point plan and the going forward, and I'm just wondering if I could make my question a little more precise. This year you also talk in the budget about compressing the Building Canada Fund. The Building Canada Fund, I think, is what we're interested in. In the current year, how much money will you get out the door? What have you and your government changed? This is your government's record, and I want to draw people's attention to it if they haven't seen it; it's a very nice picture of the minister on the front. It's recognizable perhaps from the provincial house, but it's a good picture. But you're there and you're saying this is me and my accountability.

But can you tell us today, in your current frame, how much money you are spending this year? You're in supplementary estimates, you've asked for more money. Can you tell us exactly, program by program, what will get out the door? You've given \$2 billion back to the Treasury over the last two years on the Building Canada Fund alone. I'm sorry, it was \$1.5 billion for the Building Canada Fund and over \$2 billion overall. There was \$1.5 billion allocated, and \$2 billion from all programs has been given back to the Treasury because it's lapsed. I guess we need to know that. I think this committee is trying to understand how good you will be at the stimulus if you can't get the money out the door.

**Hon. John Baird:** You've asked, by my count, 11 questions.

**Mr. Gerard Kennedy:** I will focus on one. How much money will you spend this year?

**Hon. John Baird:** If you'd like to focus on one, could I suggest you ask one?

**Mr. Gerard Kennedy:** How much money will you spend this year, Minister? There should be a number somewhere in that answer, I think.

**Hon. John Baird:** You made a significant number of comments that I'd like to respond to.

The last comment was that \$1.5 billion had lapsed and gone back to the Treasury. I'm very pleased to tell you that the Treasury has reprofiled all the money, so not a single dollar has lapsed. We've been able to keep every single dollar.

I am not satisfied with the speed with which we've been able to get shovels in the ground. We are not solely responsible, because we don't normally hold the shovels at Infrastructure Canada; in fact we never hold the shovels.

In response to your specific question of what we are going to do differently going forward—

**Mr. Gerard Kennedy:** This year. I'm sorry, I'm just trying to—

**Hon. John Baird:** When you talk about this year, as it's the finance committee considering the budget, I presume you mean—

**Mr. Gerard Kennedy:** It's supplementary estimates for this year, I believe.

**Hon. John Baird:** You're being contradictory, because you said "this year" and "what are you doing going forward".

I'm going to respond to what we are doing going forward. We have our five-point action plan. We've looked at every single bureaucratic rule-making...we have within the department.

Premier McGuinty came to the first ministers conference. He brought all the premiers and me a thick binder with the business cases required for the Spadina subway. I asked why this was required as this is not his responsibility. Public transit is a municipal and provincial responsibility. I indicated, for example, to the specific concern he raised, that we would eliminate that requirement so decisions could be made more expeditiously.

I believe that with the work we've done in not requiring provincial framework agreements, not requiring the load of work that's come forward in previous years, together with the five-point action plan, we will be able to spend the full \$4 billion that has been appropriated in the budget and that this committee has been asked to consider.

I'm very excited by the opportunity to be held accountable, on three separate occasions, as requested by Parliament.

**The Chair:** Thank you.

Thank you, Mr. Kennedy. I'm sorry, your time is up.

Monsieur Laforest.

• (0920)

[Translation]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** Thank you, Mr. Chair.

Good morning Minister Baird.

**Hon. John Baird:** Good morning.

**Mr. Jean-Yves Laforest:** Mr. Minister, this week, your colleague from Quebec, Ms. Verner, announced that investments would be made to upgrade the water supply system in the city of Shannon. This is owing to the fact that the Canadian Armed Forces were found to be entirely responsible for having contaminated that water system.

Which fund will the money being invested by the federal government be drawn from? Will this investment fall under the previous infrastructure program, or the new one? Ultimately, the question is whether other municipalities with projects underway are going to be penalized. Is the approximately \$13 million going to be taken from the general envelope allocated for infrastructure?

[English]

**Hon. John Baird:** Under the provincial framework agreement we have with the Province of Quebec, it is somewhat different—as all agreements are. It requires the provincial government to nominate a project. Obviously it can't come out of the Building Canada Fund; it will come out of the consolidated revenue fund.

I do believe, as Madame Verner argued, that we needed to act on behalf of the people of Shannon. It is not eligible under the framework agreement because it was not nominated by the province. I respect the provincial jurisdiction. We have put in a request, I think to Minister Normandeau, to get the required approval of the Quebec cabinet. The provincial legislation requires consent for municipal partners. I respect that. But obviously it can't come out of the Building Canada Fund; it will come from the CRF.

[Translation]

**Mr. Jean-Yves Laforest:** So the investment will not come from the Building Canada Initiative, nor the other funds announced in the most recent budget?

[English]

**Hon. John Baird:** It can't come out of the Building Canada Fund because that requires the Quebec government to nominate it.

We'll have to look at the various program authorities in other initiatives to see where it will come from. I didn't think the people of Shannon should have to wait. As a former Minister of the Environment, I place a huge priority on clean water. The cabinet made a decision to provide support outside of Building Canada for that. It will come from the consolidated revenue fund.

[Translation]

**Mr. Jean-Yves Laforest:** In order not to penalize other municipalities, projects being funded by the infrastructure fund for Quebec should not be taken from the same envelope. You were telling me that they receive separate funding.

[English]

**Hon. John Baird:** It's certainly separate from Building Canada, because we can't fund it under Building Canada. I think it requires the Quebec government to nominate a project, so it's not eligible in Quebec. I would ask that the CRF write a cheque.

[Translation]

**Mr. Jean-Yves Laforest:** You talked about an framework agreement, the Canada-Quebec framework agreement for infrastructure, that was signed in September 2008. To date, no project has actually started because a specific agreement must be signed by Quebec and Ottawa, specifying which projects should be subsidized.

The Government of Quebec is intent on establishing its own priorities and maintaining control over the master plan. I think you mentioned this. Can you give us the reassurance that the Province of Quebec will continue to be able to decide on the projects it wishes to implement and that requests made by the municipalities shall continue to be put to the Government of Quebec?

**Hon. John Baird:** Since my appointment as Minister at the end of October, there was an election in the province of Quebec. Since then, I've not had the opportunity to meet with Minister Jérôme-Forget, who is responsible for major infrastructure projects. However, I did meet with her in Montreal at the beginning of January. We were very close to reaching an agreement on several projects. She was very clear and talked about Quebec's strategy for infrastructure, which I respect. I also conveyed to her the priorities set by my colleagues in the House of Commons, and we are very close to making a major announcement. I respect the provincial government's area of jurisdiction. We are also working very hard on small projects, with Minister Normandeau and his team.

I should point out that I myself am a former provincial minister, and that I respect provincial areas of jurisdiction. That is how I intend to work.

• (0925)

**Mr. Jean-Yves Laforest:** I have a question with respect to VIA Rail. The most recently tabled budget includes an increase of \$407 million to optimize VIA Rail's efficiency, particularly in the Montreal-Toronto-Windsor corridor. Improvements to punctuality, speed, etc. are being planned.

What portion of that amount would be set aside for the Quebec segment? Were funds from that envelope also be available for the Montreal-Quebec corridor?

**Hon. John Baird:** Of course.

**Mr. Jean-Yves Laforest:** That will not be restricted to—

**Hon. John Baird:** It will not be restricted to the Montreal-Quebec corridor exclusively, but will also be applied to Montreal-Toronto corridor. The proposal was made by VIA Rail. As a minister, I would be pleased to ask VIA Rail to organize a three-way briefing session, if you would like one.

**Mr. Jean-Yves Laforest:** He did not answer my question concerning the part of the \$407 million that will be allocated to...

**Hon. John Baird:** I do not have the percentage.

**Mr. Jean-Yves Laforest:** I assume that it is prorated according to the number of kilometres.

**Hon. John Baird:** I do not have that piece of information, but VIA Rail will be making the proposal regarding the Quebec and Windsor corridor. The majority of the land is located in Ontario, but this matters for Montrealers who are travelling to Toronto.

**The Chair:** Thank you, Mr. Laforest.

Mr. Mulcair.

**Mr. Thomas Mulcair (Outremont, NDP):** Thank you, Mr. Chair.

In his opening remarks, the minister told us that according to someone else, "the Navigable Waters Act was the biggest job killer, and we agreed."

Could he tell us exactly what it is in the Navigable Waters Protection Act that kills job?

[English]

**Hon. John Baird:** I think all provinces and territories and a significant number of municipalities told us it required a significant amount of paperwork that could delay projects anywhere from nine to 17 months. The Standing Committee on Transport did a significant study of this issue in the last Parliament. I was impressed when I heard the concern that was expressed by premiers and infrastructure proponents. I looked at the work the standing committee had done. I was impressed by the four-party consensus that they'd developed on changes. The proposals we've come forward with respond to all of the requests that the standing committee—

**Mr. Thomas Mulcair:** Can the minister tell us, because he just mentioned municipalities, if a mayor wants to backfill a precious wetland, why does it matter that the project is under \$10 million or over \$10 million? Isn't it the value of the ecosystem...? As a former environment minister—both of us—doesn't he look first at the value of the ecosystem, not the value of the project? If you're destroying an ecosystem with something worth \$11 million, is that worse than destroying it with something worth \$9 million? Why have this artificial limit they want to bring in on the value of projects? He made the same mistake in his introductory remarks, talking about a stretch of road that costs so much, as if the cost of the project had anything to do with the value of the wetland or the ecosystem you're trying to protect. What's the relation between the cost of the project and what has to be protected? There is none.

**Hon. John Baird:** Let me correct the record. When I talked about a 300 kilometre stretch of highway, I talked about there obviously being a need for substantial first nations consultation if it was going through a first nations territory, as opposed to a \$1 million upgrade or a \$25,000 repaving of a road.

Perhaps I could respond to that, because I think you'll be pleased. If you want to backfill a wetland, that will not be allowed under any of the proposals we bring forward. So you'll be very pleased.

**Mr. Thomas Mulcair:** That's not true.

**Hon. John Baird:** We haven't brought the proposal forward.

**Mr. Thomas Mulcair:** It was clearly indicated—you know and we know, because of the documents that were leaked, and no one in your government has tried to deny it—that you have a plan to get rid of environmental assessments, and the triggering mechanism is going to be the value of the project, not the value of the ecosystem. You know that.

● (0930)

**Hon. John Baird:** You'll be very pleased, Mr. Mulcair. There was a document, apparently, that made its way into the public domain that talked about parliamentary legislative changes to the federal Environmental Assessment Act, and it used the \$10 million figure. In fact, the government has no plans to come forward with legislation on environmental assessments. We can use existing authorities. Wetlands are something that we will not be able to get around. The South Fraser Perimeter Road in British Columbia went through a bog. Obviously there will have to be a full federal EA for a project like that.

**Mr. Thomas Mulcair:** The reason you're here today is because in the budget there's a clear reference to a new rule-making power. That's legislation, even if it's delegated legislation.

**Hon. John Baird:** That's about navigable waters, not environmental assessment.

**Mr. Thomas Mulcair:** Under the Navigable Waters Protection Act right now, the only thing that holds back

[Translation]

but despite the wishes of certain municipal and provincial elected officials, they simply do not have the ability to carry out environmental assessments. Thank God for the Navigable Waters Protection Act. Thank God there is a Federal Department of the Environment here in Ottawa that is doing its work to protect the environment.

I will give you the opportunity to say that your government has no intention of streamlining or reducing, under the new provisions and regulations, the measures to protect the environment, as provided by federal legislation. If, today, you give us the guarantee that there is absolutely no intent on the part of the federal government to reduce environmental protection, I will be the first to congratulate you. Please go ahead.

[English]

**Hon. John Baird:** I can be very clear that we're not coming forward with any legislative changes to the Canadian Environmental Assessment Act.

**Mr. Thomas Mulcair:** That's not the question, and you know it.

**The Chair:** Let the minister answer.

**Hon. John Baird:** We're going to work under existing authorities. Under the Navigable Waters Protection Act, which is a transport piece of legislation, we have identified that this is a major problem. I don't believe for a moment that Premier Charest, that Premier McGuinty, that Premier Doer, that Premier Campbell—

**Mr. Thomas Mulcair:** I know a little bit more about Premier Charest than you do and about what he really thinks about the environment, Mr. Baird. I know a lot more about that than you do.

**The Chair:** Mr. Mulcair, let's let Minister Baird finish his answer.

Order, order.

Go ahead, Minister Baird.

[Translation]

**Hon. John Baird:** I've always respected areas of provincial jurisdiction. I do not intend to wage a battle with the Premier of Quebec.

**Mr. Thomas Mulcair:** You were the one who quoted him.

**Hon. John Baird:** I do not intend to wage such a battle. I have a lot of respect for the Premier of Quebec.

I simply want to point out that I do not doubt that Gary Doer, Gordon Campbell, Dalton McGuinty and Jean Charest are ready to support this measure, considering all of the work they have done for the environment. This is necessary.

Mr. Kennedy has already raised the types of problems that arise when working in this area. The real reason is that there is not enough infrastructure being built in Canada. If you want to change that, there are measures.

**Mr. Thomas Mulcair:** I know that the minister is capable of eating up time, but I would still like to get in a word as an elected official. He is the one who sits in cabinet.

You're playing a very dangerous game, sir. You are trying to convince people that because there are laws to protect the environment, the government needs to repeal some protective measures. We are debating this against the backdrop of a global economic crisis. We are already handing down to future generations a very heavy economic debt. Let's not exasperate the problems by handing them an environmental deficit that can never be rectified.

I was involved in making regulations pertaining to the overpass over Rivière des Prairies where there was a lake sturgeon pool. The negotiations fell under a public-private partnership with the Government of Quebec. The federal and provincial governments acted collaboratively. My federal counterpart, Minister Anderson and myself worked together to standardize the assessment process.

**The Chair:** Please ask your question.

**Mr. Thomas Mulcair:** There was never any problem.

Would the minister stop saying that the economic problems we are experiencing give him a free pass to wreck the environment! This is scandalous.

[English]

**The Chair:** Okay.

Mr. Baird, just a brief response, if you can.

**Hon. John Baird:** I think your comments are somewhat alarmist and over the top. I don't believe Gary Doer would support anything of the kind.

**The Chair:** Okay, thank you.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Mr. Chairman, on a point of order, I was just going to mention to Mr. Mulcair that he has a lot of misinformation, and it just so happens he's sitting next to a member, Mr. Carrier, who actually sat and heard all the evidence on the navigable waters and actually supported that report. So if he wanted to ask me some questions, he has the opportunity.



● (0935)

**The Chair:** Mr. Jean, I'm sorry, that's not a point of order.

**Mr. Brian Jean:** I'm just trying to be helpful.

**The Chair:** Okay, we're all trying to be helpful this morning.

Mr. Kramp, you have seven minutes.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Thank you, Chair.

Welcome, Minister Baird. And as always, I look forward to your direct and forthright comments. I know that like most regions across this country, my riding of Prince Edward—Hastings certainly is eager to be a willing partner in infrastructure improvements. We look forward to participating in this form of stimulus, which obviously will provide a long-lasting benefit for all Canadians.

That having been said, I think we all recognize that the time limits and the various levels of cooperation are absolutely critical. So as such, there's been a lot of talk about the need for all the levels of government to work together. What I would like to know from you is this. What is your department, on behalf of our government, doing to encourage and to facilitate these various levels of cooperation? Likewise, what is it doing to ensure that all the provinces and all the municipalities receive their share of this funding as quickly as possible?

So there are two questions: the level of cooperation and the speed of the funding.

**Hon. John Baird:** One of the things we did before making any decisions is go out and we listen. I was impressed that on the Navigable Waters Protection Act, the Conservative Party, the Liberal Party, the Bloc Québécois, and the NDP did a lot of work on this—the transport committee—and responded unanimously. These changes were all looked at over a year ago, long before the current economic crisis that we now face. So we're coming forward with legislative changes and we're coming forward with regulatory enhancements that again build on what we heard from Liberal governments, from Conservative governments, from Progressive Conservative governments, from NDP governments across the country.

My premier, Dalton McGuinty, said that the discussions on infrastructure were perhaps the most positive, both in the November and January meetings, that he's seen in the first ministers conference. So we've developed an unprecedented consensus for action. I think that's important. We're looking at a variety of areas as well within my own department. With the web of rules that it has built up—and I don't point fingers at any political party—with scandal after scandal, where people with good intentions came forward and established more red tape, we're doing everything we can to streamline that.

We've also asked the provinces and municipalities to do their part as well, and they're all agreed. I was pleased with that.

I think, though, one of the things that are important is that it requires leadership at the top and a cooperative spirit. I think when I talk to folks in my constituency of Ottawa West—Nepean, what they want to see in this challenging time in the Ontario economy is their federal government and their provincial government working

cooperatively together to put aside politics. I think the current relationship, for example, in your province and mine with the provincial government is probably at a high-water mark. Gone are the cheap shots on both sides; gone are the political manoeuvring. There's a real commitment to work together. That leadership comes from the top. It's coming from Premier McGuinty, it's coming from Prime Minister Harper, and we're committed to do that.

One of the areas that I think can delay projects is just political agreement, and we've been working hard, directly. I jumped into this. I met all my provincial counterparts, all the premiers directly on this issue. We've done a lot of work and we're committed to continue that spirit of cooperation. Without that, nothing can work. No matter how many regulatory changes we make, no matter how much money we throw in the system, it's been particularly constructive with Ontario. This is a sea change on both of our parts, and I think that's positive.

**Mr. Daryl Kramp:** Obviously like many of my colleagues in the House here, I served for a number of years municipally, and as such, in most cases in a much less partisan environment than what we have here. But obviously we well recognize that many, many municipalities really can't afford to go it alone on most major infrastructure projects. They just don't have that capacity. So the need to partner is there.

As far as delivering benefits, though, to these municipalities is concerned, because many of them can really never expect to see the kinds of results and needs without some effective leverage of other organizations.... Could you potentially elaborate on the benefits of this unprecedented investment in this infrastructure particularly to a lot of these municipalities that simply can't go it alone?

**Hon. John Baird:** I hope there will be many benefits environmentally. I worked quite hard with one of our members of Parliament on a project in Merrickville, where the waste water treatment plant is about to collapse, with the potential of sending raw sewage down the Rideau, which is now a UNESCO world heritage site. If we can come out of these economically challenging times and can put people to work to provide a stimulus to the economy—which will go far beyond those people who work in construction or in providing materials—it will provide big benefits throughout the economy, and if they have an environmental infrastructure investment that can last a hundred years, I think that'll be very good.

One of the things I talked about with the Saskatchewan government and one of the members of Parliament there is mining. If we can make investments in transportation and roads or rail that will facilitate economic growth well into the future, that will be positive. If we can make investments in public transit, as we've committed to do in Toronto—the ground will be broken quickly—and in Vancouver and elsewhere, we'll have quality of life, less congestion, and less air pollution, which I think will be a benefit.

Everyone has their top priority as to what they'd like to see. Obviously I'm Minister of Transport, so I want to see transport infrastructure. In Prescott, they want improvements to their port. In Belledune, New Brunswick, they want improvements to their port. I'm facing a significant amount of lobbying from various ports

● (0940)

[Translation]

in the province of Quebec, in areas such as Sept-Îles, in Quebec city and in Montreal. This is a matter that falls under federal jurisdiction. The investment process was intended for areas of federal jurisdiction, such as airports as well.

[English]

But as a former environment minister, obviously clean water is something I think is important. Public transit is important. So too is basic infrastructure for roads, for water treatment, for sewer upgrades, which are important.

**Mr. Daryl Kramp:** Thank you, Minister Baird.

Do I have a couple of minutes?

**The Chair:** A couple of minutes? No, you don't; you have five seconds. Time marches on, Mr. Kramp.

We have our five-minute rounds. Ms. Hall Findlay, please, to start.

**Ms. Martha Hall Findlay (Willowdale, Lib.):** Thank you.

Thank you, Mr. Minister and other witnesses, for giving us your time this morning.

I'm sorry, I know you would really much prefer my colleague, but I'm afraid you're stuck with me for the next five minutes.

In your opening statement, Mr. Minister, you acknowledge the benefits of the gas tax fund, specifically how it flows unhindered automatically twice a year. My colleague here has pointed out that the other processes for spending infrastructure money have not been nearly so successful and, in fact, have been rather dismal in getting money out the door.

You also mentioned that pre-budget you engaged in significant consultations with, among others, representatives of the municipalities. I'd like to ask you what advice and recommendations the municipalities gave you.

**Hon. John Baird:** They wanted money to flow directly to them immediately.

**Ms. Martha Hall Findlay:** In the sense that they explained about shovel-ready projects and getting the money out the door, expressing significant concern about the matching processes of the Building Canada Fund, can you give me the reason you chose not to do a gas tax fund type of process, which has proved so successful in the past?

**Hon. John Baird:** I can tell you that just about everyone we consulted with—and this goes far beyond just the work I did with provinces.... At the first ministers meeting the provinces called for a model of a trust exchange of money, where the money could flow to the provinces, and then they would be in control with—

**Ms. Martha Hall Findlay:** But in my limited time, my specific question was with regard to recommendations from the municipalities and the recommendation for a gas tax fund process. I wasn't asking about the provinces.

**Hon. John Baird:** We wanted to take a balanced approach. We didn't want to give all the money to the provinces, all the money to the municipalities, all the money to colleges and universities, all the

money to ports, all the money to airports. We wanted to take a balanced approach.

**Ms. Martha Hall Findlay:** No, I wasn't speaking to the quantity of the money. I was actually speaking about the process and the recommendations, which were very clear. Because we engaged in significant pre-budget consultations of our own, and the recommendations were overwhelming that given the challenges faced by municipalities, the matching process...that unless there was a gas tax fund type of process, which has proved so effective both in the flowing of money and the accountability, it simply was not going to be possible for many municipalities. For some, yes, but for many, they simply would not be able to do this. And in that sense, that message was very strong that despite all of the rhetoric, if there was required matching, much of that money simply would not be able to flow because of the difficulties for the municipalities in doing that.

In view of all of those recommendations, can you tell me why you chose not to do so, given the need for this money to flow as quickly as possible?

● (0945)

**Hon. John Baird:** Because municipalities are not our only partners. Provinces are also our partners and I mentioned a good number of other groups whose names I won't repeat. What we want to do as well, for example, in the economic stimulus fund, is that if we could take \$4 billion and turn that into up to \$12 billion, then we'd get three times the bang for the buck and be able to support three times as many projects.

**Ms. Martha Hall Findlay:** I'm sorry, Mr. Minister, you're still not answering my question. There was a specific recommendation to allow the money to flow quickly and you chose a process that has proved in the past to be dismally bad at funding the money. Despite all of the rhetoric about wanting multiple partners, that they're not our only partners, history has shown that under the process that requires matching it simply hasn't happened.

I'll take a slightly different take on this. In your opening statement you also referred to changing the legislative authorities that you have shown have proved to be somewhat barriers, have provided barriers to the flowing of funding. But in the Infrastructure Stimulus Fund you specifically say funding will be available for two years for projects that will begin construction during the 2009-10 construction seasons. But with that requirement, only a short while ago you said that you would be working on those legislative authorities over the next couple of years. So how do you reconcile that?

I'm very concerned about a conscious effort on the part of this government to make announcements that it's clear will have very strong difficulty in getting out the door.

**The Chair:** Minister, you have about 30 seconds to answer.

**Hon. John Baird:** You want a quick response, but you've raised about five issues that I would like to respond to.

We've decided to take a balanced approach and not to simply give all the money to municipalities. Provinces have projects as well. We think there are many municipalities that can have matching funds. Some do not have the money, as you said. We came forward with a \$2 billion loan program, which will provide access to capital and at a modest rate, given the historic low interest infrastructure rates.

I'll give you an example. We put out a call in September at the Association of Municipalities of Ontario. We asked for municipalities of under 100,000 across Ontario to apply. We had \$200 million to give out. We got requests from municipalities of \$1.4 billion where they said they had matching funds. So when we had \$200 million to offer and there were matching funding for \$1.4 billion, I know that there is \$1.2 billion worth of projects out there where the municipalities in Ontario do have matching funds.

I know, for example, in your community, in the city of Toronto, they underspent their capital budget by \$200 million. They have \$200 million that lapsed in December because they couldn't spend it all. So I know they have money too.

**The Chair:** Thank you.

Thank you, Minister, very much.

I'll just remind members that if members ask a number of questions of the minister, it is appropriate to allow the minister an opportunity to answer.

Order.

We'll go to Monsieur Carrier, *s'il vous plaît*.

[Translation]

**Mr. Robert Carrier (Alfred-Pellan, BQ):** Thank you, Mr. Chair.

Good morning, Mr. Baird. Good morning to the officials from the Department of Transport, whom I've met several times in the past few years.

Mr. Baird, I, for one, am deeply disappointed with the current situation. Since last September, rather than meeting to begin reacting to the economic situation, the government triggered an election which brought us back to the same situation. Following that, in November, when we resumed business, we missed an opportunity to present a budget that would have contained an action fund for the economy. That opportunity was missed because of the prorogation of Parliament. Today, in February, we are discussing matters that should have been discussed in September.

Everyone can agree that there is a lot of catching up to do. You want to launch projects quickly. However, we can't just start projects anywhere anyway and anyhow. You are well aware that under our system, provinces have areas of jurisdiction. That is where the problem lies.

I'm told that last September, there was a Canada-Quebec agreement with respect to previous funding from Building Canada. To my knowledge, none of those projects have been implemented because there was no agreement signed with Quebec. Now we are talking about new budgets for shovel-ready projects. My concern is the following: Would you only be choosing shovel-ready projects? Would some provinces be penalized because they were informed too late?

Since you know that you will have the support of the Liberals to pass your budget, have you taken measures to make sure that projects will be implemented immediately, once the budget is officially passed in House of Commons? Since you can count on the support of the Liberals, measures should be undertaken right now so that projects can get started quickly.

I'll hand the floor over to you so that you can give me the reassurance that the issues that we should have dealt with last September are making progress. As elected members of Parliament, we all have an interest in letting people see that you are taking measures to stimulate the economy; we have to prove this, to make sure that our actions follow our words.

• (0950)

**Hon. John Baird:** I want to point out that I had a very good meeting with Ms. Jérôme-Forget. I respect the fact that many of the areas covered the Building Canada Initiative fall under provincial jurisdiction. The government is working with Ms. Jérôme-Forget and Minister Normandeau. With the stimulus funds, I have no doubt that Quebec will have enough projects that will begin as soon as possible, and be completed by March 2011. New investments provided in the budget could support municipalities' and provinces' infrastructure funding requests. Of course, with respect to cultural infrastructure, that is a shared area of jurisdiction. But for areas that fall under federal jurisdiction such as the harbours located in Sept-Îles, Quebec city and Montreal, all of those play a significant role in economic growth. I have no doubt that we are ready to work with Quebec in areas of provincial jurisdiction, that we can support projects, create jobs, and make investments that will not only improve the quality of life, but also support economic growth.

**Mr. Robert Carrier:** Is last September's agreement a part of your discussions, so that some of these projects can be started up as soon as possible?

**Hon. John Baird:** I did not participate in the negotiations on the Quebec agreement, because my colleague, Lawrence Cannon, was Minister of Transport at the time. The Building Canada Initiative is a plan for this year. The stimulus fund will spread out over the next 25 months. A pre-condition to obtaining funds is that projects must begin as soon as possible, and be completed within 25 months. There is no doubt that there are enough projects. I can simply go through the correspondence I've received from Quebec in recent months to choose projects that will stimulate the Quebec economy. However, by working with municipalities, provinces, cultural institutions, we can make more headway.

**The Chair:** All right, thank you.

Thank you, Mr. Carrier.

[English]

We'll go to Mr. Dechert for five minutes, please.

**Mr. Bob Dechert (Mississauga—Erindale, CPC):** Thank you, Mr. Chair.

Minister Baird, I want to commend you on the very important infrastructure component of the economic action plan. I can tell you it's been very well received in the city of Mississauga, the greater Toronto area, and southern Ontario. These infrastructure projects are important for all of Canada. They're very important for southern Ontario and the greater Toronto area, where we've experienced a lot of difficulty, given the downturn in the auto sector.

The Regional Municipality of Peel has expressed its support for the infrastructure projects and funding you've announced. The mayor of my city, Mayor Hazel McCallion, has said, "If they want the cities to get on with projects to provide jobs, the money has got to start to flow. It can't be tied up in environmental assessments, both at the provincial and federal levels." I'd like to ask you what more you think can be done at the provincial and municipal levels to speed up the process.

Secondly, could you comment on how the gas tax funding would benefit larger communities such as Mississauga and allow communities like Mississauga greater flexibility in moving forward on the many projects they've submitted to your department?

**Hon. John Baird:** I learned a long time ago from my days in provincial politics not to mess with your mayor, and I have the scars to prove it.

We've done a significant amount of work already in the GTA. The big, overwhelming priority in the GTA is public transit, whether it's the TTC, whether it's the various metro links proposals. I think you'll see we have made investments already in the public transit there. From what I see in the GTA, that will probably be front and centre in any stimulus, whether that's the TTC, whether it's GO. We obviously mentioned Union Station. My provincial counterpart, George Smitherman, calls Union Station one of the most important buildings in the province, because it's not just important for the subway, it's not just important for GO, but it's important for VIA. It brings so much of the province together. So that's obviously a project we support.

From time to time we'll get into a bit of a verbal tussle with Mayor Miller or Mayor McCallion, but I think the good news is that we are willing to work together, and we have had a pretty good relationship with both of them as well.

• (0955)

**Mr. Bob Dechert:** Could you comment on the gas tax?

**Hon. John Baird:** The gas tax, I think, has been a successful model. In last year's budget we made it permanent, which I think is important if municipalities want to borrow on that revenue stream.

I guess we had to take a balanced approach. In the pre-budget process, whoever we spoke with.... When we spoke with municipalities, they said, give all of that money to municipalities because we can move quickly. When we talked to the provinces at the first ministers meeting, all of the provincial and territorial premiers wanted to give it all to the provinces via a territorial trust. Some wanted to build provincial prisons, some wanted to build provincial office buildings, and some wanted to fulfill all of their dreams with respect to infrastructure.

So rather than choosing one or the other, we took a balanced approach. We have a significant amount of money in gas tax and GST rebates for municipalities. We have a \$4 billion fund. I would

suspect a significant, if not overwhelming, percentage of that will go to municipal projects where we can get deals.

The good news is that while not every municipality can afford.... We do see municipalities like Toronto that have expressed concerns that they can't afford it. They underspent their capital budget by \$200 million, which says they could work with us. If they can't, we have a program that Minister Flaherty and Mr. Menzies came forward with to provide low-cost loans to municipalities to allow them to participate.

I know that my own city of Ottawa has already come up with a list of \$300 million to \$400 million in projects that they could cost-share.

The good news is that, to a *t*, every single provincial government is prepared to join that effort. Premier McGuinty spoke very strongly that the economic downturn is not a federal or a provincial issue, but has to be shared. I am confident that we will have no problem, particularly with the \$4 billion stimulus fund, to be able to identify projects that can be cost-shared. The good news is that if we work together, we can take a \$4 billion stimulus and turn it into a stimulus program of up to \$12 billion just with that one program. If we gave it just to the provinces with no strings attached, we'd only have \$4 billion.

In my home community, as I have said on occasion, the province gave them \$16 million for capital and they spent it on snow removal. The provincial government is changing the rules to stop that from happening again, but if we can have some streamlined accountability, I am confident we will work together.

**The Chair:** Thank you, Mr. Dechert. I am afraid your time is up.

We have a shortened round of three minutes for Mr. McCallum.

**An hon. member:** They saved the best for last.

**Hon. John McCallum (Markham—Unionville, Lib.):** Thank you, Mr. Chair, and I am delighted to have this opportunity to ask a couple of questions to one of my favourite Conservative ministers—which isn't saying a great deal.

**Some hon. members:** Oh, oh!

**Hon. John McCallum:** But I am delighted the minister is here.

Question number one concerns my understanding that the parliamentary budget officer is setting up a process by which to evaluate infrastructure spending, and other things, for the quarterly accountability reports. The first question is whether you intend to cooperate fully with his office on that issue.

Second, depending on how you measure it, my understanding is that you're hoping to get about three to five times as much money out the door next year for infrastructure as you actually got out the door in the last couple of years. Given the less than splendid record in this area, would you be planning to increase your staff in some commensurate way to deal with the extra workload to get that money out the door? If so, by how much will your staff be going up?

**Hon. John Baird:** You have asked me many, many questions.

**Hon. John McCallum:** Two questions.

**Hon. John Baird:** You asked me a question about the parliamentary budget officer. I haven't see the specific nature of his request, but I would certainly entertain anything from the parliamentary budget officer.

Mr. Ignatieff has put the government on probation. You could be my probation officer.

**Some hon. members:** Oh, oh!

**An hon. member:** And you could end up in jail.

**Hon. John Baird:** On the third issue, I've said to the deputy that we'll certainly provide him with any resources that the department requires in the short term to assist us in getting this money out. I think one of the things that we are committed to do is to streamline the process.

• (1000)

**Hon. John McCallum:** Can you be more specific about the percentage increase or increase in the number of person-hours in Infrastructure Canada in order to triple or quadruple the amount of money going out the door?

**Hon. John Baird:** Well, the first effort is to cut red tape, so that we will require less resources per dollar out the door. The deputy hasn't come forward with a specific amount, but we've certainly indicated that we'll provide any support needed.

Obviously there'll be a significant amount of work in the first six months to get projects approved and a significant amount of work in the last six months to close the files.

**The Chair:** Thank you, Mr. McCallum.

Minister, thank you for your appearance here today. As you can see, there's a lot of interest from all members with respect to infrastructure and the need to get that spending out the door. Thank you for appearing before us. We certainly look forward to welcoming you back again.

Members, we will suspend for a couple of minutes and then we'll have the other witnesses come to the table.

Thank you.

• (1000)

(Pause)

• (1005)

**The Chair:** For the second hour of our morning session on the financial priorities of the federal government, focusing on infrastructure, we have three organizations before us. First, from the Federation of Canadian Municipalities, we have the president, Monsieur Jean Perrault, and the CEO, Mr. Brock Carlton; and we should have the director of policy and research, Mr. Michael Buda. From the Canadian Construction Association, we have the president, Mr. Michael Atkinson, and the director of government relations, Mr. Bill Ferreira. From the Association of Canadian Engineering Companies, we have Mr. Jeff Morrison, the president and COO.

Welcome to all of you, gentlemen. We will go in that order, and I would ask you to limit your opening comments to five minutes per

organization. Then we will go immediately to questions from members.

So we'll start with the Federation of Canadian Municipalities. Monsieur Perrault.

[Translation]

**Mr. Jean Perrault (President, Federation of Canadian Municipalities):** Thank you, Mr. Chair.

[English]

I would like to thank the chair and this committee for the opportunity to speak today on how the federal and municipal governments can work together to help Canadians at this time.

FCM has been the national voice of municipal governments since 1901, and during those 108 years we have represented the interests of Canada's municipal governments to the federal government. I'm here today to continue

[Translation]

continue the tradition, while respecting provincial jurisdiction. The Federation has always worked in a manner that showed respect for areas of provincial and territorial jurisdiction.

[English]

FCM believes that Canada's quality of life and economic growth depend on healthy cities and communities.

[Translation]

To attract new talent and investment, improve productivity, and protect our environment, Canada must have strong, secure foundations at the local level.

One area where federal, provincial, territorial governments have worked together to strengthen those foundations is in infrastructure investments. Federal infrastructure programs have helped us provide safer roads and bridges, clean drinking water, modern sewage treatment, and improved public transit.

While a municipal infrastructure deficit remains a long-term challenge, that's not what we came here to talk about today. We are here because Canada is caught in a growing recession, caused by a global economic crisis. That recession is felt in cities and communities right across this country.

The recent federal budget provided powerful new tools for creating jobs and fighting the recession. Now we must put those tools to work. The budget committed new funding for infrastructure rehabilitation, recreation facilities, green investments, affordable housing and broadband Internet service. With a fast, flexible action plan, these commitments will produce tens of thousands of new jobs this year alone. They will also leave Canada better equipped to meet the social, economic, and environmental challenges of the future.

To prepare new projects for this year, municipal councils, project managers and contractors will all need to work progressively over the coming weeks and months. Before we can get started, municipalities need to know how much federal money they can access; how much they need to find in new matching funds; what projects are eligible; and when new funds will start to flow.

We know that Minister Baird and his officials are working hard to answer these questions. We also know that finding the answers will take some time. But the start of the construction season is little more than a month away, and there's no time to waste.

The FCM is ready to sit down with the federal government to develop and implement a plan that will transform budget promises into new jobs.

[English]

As a first step, FCM recommends that the following five principles guide federal action.

First of all, let money flow quickly to create jobs now. A significant number of new infrastructure projects must get under way during the 2009 construction season to create jobs in time to offset the recession. This must be the overriding policy objective of new infrastructure spending.

Second, there must be dedicated funding for municipal infrastructure. Municipalities own more than half of Canada's infrastructure and virtually all water, sewer, and public transit systems. To create jobs and improve local assets, we need to know that the federal government is going to invest significant new funds in municipal infrastructure.

Third, adopt a simple, predictable, and fast-moving application process. The sooner funding decisions are known, the sooner construction can proceed. The federal government must adopt an accountability model that allows upfront approvals to be made quickly in accordance with simple guidelines, while using follow-up reporting tools to ensure projects deliver value for taxpayers.

Fourth, work through cost-sharing challenges. By the time the federal budget is approved, thousands of municipalities across Canada will have finalized their 2009 capital budgets. Reopening those budgets to find matching funds will take time and in some cases simply won't be possible. The government can help by being flexible. Cost sharing must not become the sole determining factor in federal funding decisions.

Fifth, put new federal loans to good use. We applaud the federal government for helping communities that do not have the funds to meet cost-sharing provisions. Now we must ensure that these funds deliver on their promises. The federal government must sit down with FCM as soon as possible to develop a workable program that gets new money into the economy quickly.

● (1010)

[Translation]

The federal budget says infrastructure programs “will be structured to flow funding and get shovels in the ground quickly”. These five principles will make it possible to meet that objective.

In closing, let me reiterate that Budget 2009 makes important investments in cities and communities, and gives the country powerful tools for fighting the recession. It must be implemented fully, fairly and efficiently if it is to counter the recession and deliver long-term value for Canadians.

**The Chair:** Thank you, Mr. Perrault.

[English]

We'll have Mr. Atkinson next, please.

**Mr. Michael Atkinson (President, Canadian Construction Association):** Thank you, Mr. Chair.

The Canadian Construction Association welcomes this opportunity to appear before you today and share with you the views of our nearly 16,000 member firms across the country on the infrastructure measures contained in the recent federal budget. It probably comes as no surprise to you that since our industry builds that infrastructure, we very much welcome these measures. We certainly believe that investing in Canada's infrastructure provides the biggest bang for the stimulus buck in the short term, in terms of job creation and economic impact. For every \$1 billion, according to an Informetrica Limited study, some 11,500 jobs are created, more than half of which are not created in the construction industry.

But perhaps more importantly, it is also our belief that investing in Canada's infrastructure is an absolute priority, not just for the short term but for the long term as well, in order to secure our country's future economic prosperity and social well-being.

Because of past neglect, our vital public infrastructure—our roads, bridges, sewer systems, hospitals, and schools—are in a critical state of disrepair. It has come to the point that, rather than providing a safe and healthy environment and quality of life for our citizens, our public infrastructure is beginning to threaten those basic, fundamental necessities. Instead of providing the tools by which to allow business and industry to compete, thrive, and remain productive, our crumbling public infrastructure adds to business costs, makes us less competitive, and inhibits productivity. We need to upgrade and maintain our public infrastructure so that it once again works for Canadians and works for Canadian business and Canadian industry, rather than against.

Some of you may have seen the University of Waterloo study of last year that was presented in the August publication of the Institute for Research on Public Policy. It concluded that not only had Canada's infrastructure deficit reached \$200 billion, but that our failure to invest in our public infrastructure in any meaningful way during the 1990s was the primary reason for the productivity gap that exists between the manufacturing sectors in the United States and in Canada. In looking at aggregate investments on the part of governments in both the United States and Canada, it found that the U.S. managed to increase its productivity advantage over Canada by more than 20% in the past 10 years alone. During that period, Canadian investments in infrastructure declined by 3.5%, whereas in the United States they increased by more than 24%.

Why dwell on this? It is to make the point that a nation must not simply invest in its public infrastructure to create jobs in the short term or to kick-start an ailing economy, which it will do, but a nation must invest in its key strategic public infrastructure because it is the course of sanity. It is no coincidence that every nation in the world that has recently announced a stimulus package has, as a key cornerstone of that package, significant reinvestment in critical public infrastructure. Those nations understand that, yes, investments in infrastructure will provide the stimulus in the short term to help their stagnant economies along, but their governments also know that, much more importantly, those investments will ensure that they have the modern and efficient infrastructure in place to best position their nation to take advantage of the economic growth that will come when the global economy begins to recover.

Mr. Chair, this is why CCA strongly supports infrastructure renewal. But investing in infrastructure is also wise not only for tomorrow but also for today.

The landmark investment that budget 2009 makes in university and college infrastructure renewal is worth particular note. CCA has been a strong proponent of increased federal investment in college renewal. As most of our labour force comes through the college system, we know how stressed the situation is currently for colleges. Unfortunately, community colleges remain the poor cousins within the Canadian post-secondary educational family. Many of them were built 40 to 45 years ago and have been sorely neglected. Many community colleges of sizable enrolment have backlogs—for some colleges, a three-year wait for a construction trade program. The equipment is woefully outdated, there is no capacity, and yet college enrolments are on the climb. The downturn in the economy has only exacerbated these challenges as many displaced workers turn to colleges for retraining or upgrading of their skills.

A Canadian Federation of Independent Business study in 2006, in surveying their members as to where their new workforce was coming from, said that for every university graduate, they're going to need six college graduates in the future. Our college system just does not have the capacity and has been neglected for far too long. We certainly welcome the novel, first-time identification in a federal budget of the need to support community colleges. We would ask, however, that this committee consider providing for a better proportion of that program. Currently it's been established that 30% only of that program would go for college infrastructure. We'd like to see a much more equal situation.

•(1015)

In closing, I'd like to leave you with one thought. Quite frankly, our greatest fear is that infrastructure, having had its 15 minutes of fame as the stimulus solution to these recessionary times, will soon fade from sight, and that we in Canada will lapse back into our previous culture of design, build, and forget.

I look forward to your questions.

**The Chair:** Thank you, Mr. Atkinson.

Mr. Morrison, please.

**Mr. Jeff Morrison (President and Chief Operating Officer, Association of Canadian Engineering Companies):** Good morning, ladies and gentlemen.

For those unfamiliar with the Association of Canadian Engineering Companies, we represent the interests of over 500 companies in the consulting engineering industry. They collectively employ about 90,000 Canadians, generating over \$15 billion in economic activity.

To echo Mr. Atkinson's point—this will probably come as no surprise, from a group that designs infrastructure—we too are very pleased with the infrastructure announcements in the 2009 budget. With this budget's announcements, which are on top of already planned federal investments from prior budgets, the federal government is taking strong steps to address the massive infrastructure debt facing the country. Although the stimulus package will indeed create and sustain employment in engineering firms, the real benefit, we feel, will lie in the long-term accrued benefits to all Canadians—greater economic competitiveness, quality of life, enhanced safety, more sustainable transportation, and other infrastructure solutions.

Let me also quell a misperception that's been discussed in the media and by some within this government about the capacity of the Canadian engineering workforce to perform the work that will be created by the infrastructure measures in the 2009 budget.

Just before Christmas, ACEC surveyed our full membership, inquiring as to their existing capacity levels and what they forecast in terms of workloads for 2009. Engineering firms were clear in their response. As a result of declines in primarily private sector work—namely, oil and gas resources, housing, manufacturing, and so forth—many engineering firms were already experiencing layoffs in late 2008. Many more are considering layoffs in 2009.

So the message for policy-makers is clear: engineering firms are ready, willing, and able to get to work on building and rebuilding our infrastructure.

•(1020)

[Translation]

As the government implements infrastructure projects announced in its budget, the Association of Canadian Engineering Companies wishes to recommend four principles that will guide the implementation of those measures.

These recommendations seek to maximize the stimulus effect of these projects on the economy and on the labour market. These measures seek to ensure that the projects accomplished will yield optimal value and that they will benefit from the very best that technology and innovation has to offer.

Firstly, infrastructure projects funded by the federal government should be awarded to the private sector. Too often, government uses its own internal resources for design and infrastructure projects. The stimulus effect of infrastructure programs can be maximized if these projects are achieved by private firms that can then hire the very best engineers and entrepreneurs. Government and other key players could deal with their own agendas internally and subsidize their own activities.

[English]

Second, in implementing projects, governments at all levels must seek to reduce red tape and duplication, and minimize approval processes, as the minister just described. To do so will require a concerted effort on the part of all governments to ensure that administrative processes are kept to a minimum.

Yes, due diligence and proper environmental assessments must be respected, but given the urgency being placed on quick implementation, processes such as procurement, contract negotiations, project identification, rezoning, and so forth should all be expedited by the responsible order.

Third, the selection of professional consultants for infrastructure projects should be based on the principles contained in InfraGuide's document on best practices to selecting a professional consultant. This InfraGuide document, released about two years ago, written by a team of third-party experts, recommends a process of what is known as qualifications-based selection, or QBS, for engineers. The principle is very simple: professional consultants should be selected based on their competencies rather than lowest price. It's akin to any of you hiring an employee for your office. Do you hire the best-qualified for the job or do you hire the cheapest?

Quebec recently became the first jurisdiction in the world outside of the United States to legislate the use of QBS in all government departments in that province. Such a policy was recommended by the Johnson commission, which reported on the collapse of the Laval overpass in 2006. We would recommend it to the federal government.

Last, we would urge governments not to compromise long-term strategic value for expediency. Although it will be important to identify and act on shovel-ready projects, other key considerations need to go into project selection. Economic competitiveness, enhancement of sustainability, improving quality of life, and protecting health and safety of Canadians need to be key litmus tests that go into project identification before the speed at which they can be implemented.

In closing, Mr. Chair, I want to reiterate our key message. Engineering firms across Canada are looking forward to working with federal, provincial, municipal governments, first nations, post-secondary institutions, airport authorities, and others to roll out infrastructure projects not just quickly but very strategically.

Thank you, Mr. Chair. *Merçi*. I look forward to the discussion.

**The Chair:** Thank you, Mr. Morrison.

We'll go directly to questions from members.

Mr. Kennedy, you have seven minutes.

**Mr. Gerard Kennedy:** Thank you, Mr. Chair.

[Translation]

I thank all of you for your testimony.

I have specific questions regarding the economic stimulus fund on reconstruction and building renovation.

[English]

The government seems to be telling us that \$2 billion will go for renovations in each of the next two years. Currently, if you look at the studies that are out there, only about 14% of infrastructure building is renovation. That suggests there may be a need. In other words, there's a lot of new build and not so much the other.

I wonder if you could tell us from your different expertises, the municipalities first, perhaps, what that looks like. You've put forward what I think is a very helpful list of \$14 billion in shovel-ready projects. What proportion of those would fit the government's intent? It has a very narrow intent for that particular fund. I'm wondering how that lines up with your outlook, and then, to both of the associations, how we might look at that affecting capacity.

I accept from Mr. Morrison, certainly, the general assurance, and I'm sure Mr. Atkinson has something similar in the sense of why we're here. We know that 44,000 construction workers lost their jobs in December. We wish that this had happened then. We did something to try to bring this about.

We would really like to focus on some idea about that particular strategy and its implications, because I think the finance committee, as well as the trade and infrastructure committees, will want to have some understanding about implementation. Distinct from other years and other times, perhaps, we're all going to be very interested in how this will actually work on the ground. I'm wondering if you can comment on that focus and how it looks from the standpoint of your different perspectives.

• (1025)

**Mr. Jean Perrault:** Monsieur Kennedy, as for our point of view, are you talking about the \$2 billion that will be invested in renovations and affordable housing?

**Mr. Gerard Kennedy:** No. It's different. The \$2 billion in infrastructure, the stimulus fund, as we're told in briefings from the ministry, will be focused largely on reconstruction and renovation as opposed to new build.

I'm just wondering whether the association's been able to size that up in terms of what it means for its members. Does that fit the needs the members have and so on? What implications might there be?



**Mr. Jean Perrault:** From what I gather, we want to go fast, and projects in the long, long, long term are not the objective of that fund. We'll see about that in the procedures that will come, but there are so many projects we have on our table that don't need long planning and are ready to go. It could be recreation facilities, arenas, and all these subjects that we will be able to have access to for our members.

From what we gather from the minister, this has to be done very rapidly. We also want to be very rapid, so we urge the minister to cut the red tape, which is what he's saying all the time, and put the shovels in the ground. That's a really good message. We feel that we need to put these funds in rapidly so that we can have buildings to repair and projects that are ready to go. It's not long-term projects that we need. If we have an acknowledgment today, we have to make big plans, with

[Translation]

a lot of planning and environmental requirements, etc. We believe that money should flow quickly to municipal projects that are straightforward, such as road repair, sidewalk repair, waste water systems, and existing buildings. Members have already told us that there are infrastructure projects worth some \$14 billion that are ready to start immediately.

The Montreal-Toronto train project is going to take longer than repairing houses that were flooded, a direct result of global warming. Those renovations are easy to accomplish, and do not require anything else than money. They do not require five or six-year planning.

We're very happy to see that there are a great number of projects for the next two years. They are ready to go. All we need is money.

**Mr. Gerard Kennedy:** With respect to capacity—

[English]

**Mr. Jeff Morrison:** I think your question was with regard to the mix between reconstruction and rebuild projects and new projects. I think from our perspective, we're happy and content with a mix of both. You mentioned, for example, the \$2 billion for social housing. I don't think you have to walk too far from this very hall to find some social housing units in downtown Ottawa that are pretty decrepit and are in need of some very serious rebuilding and reconstruction. On the other hand, we also do need excess capacity. We need more capacity in social housing.

So long as governments take the approach of looking at what is best strategically and ensuring a mix of the two, I think from an engineering perspective we're comfortable and ready and willing to do both.

**Mr. Michael Atkinson:** I'll address the capacity concern, and it is a bit of a myth. There's no question that long term we're concerned about labour supply and labour capacity, in particular, because of demographics and the number of people who are going to be retiring. But certainly in the short term, as you mentioned, we've seen a decline in non-residential construction activity; as of December building permits were 31% lower than they were just the previous year. So certainly there is the capacity there.

When we talk about labour shortages, we're talking six to eight years out, because it takes four years to get an apprentice trained to

be a journeyperson. That's why college infrastructure is so important for us, because we see a bit of a bottleneck occurring there. We're trying to attract more youth, aboriginal people, and under-represented groups such as women into our industry and we're reaching a bottleneck in the training area. So we're very concerned about that going long term, but short term, certainly, we have the capacity in our industry.

We are aware that infrastructure programs were being elevated in any event, even before this budget. Come April 1 of this year, the municipal Gas Tax Fund doubles. It was phased in for April 1, 2009; it goes to \$2 billion and remains there, hopefully in perpetuity, as the minister mentioned.

So from a capacity point of view, we've been planning and we're ready.

• (1030)

**The Chair:** Thank you, Mr. Atkinson, and thank you, Mr. Kennedy.

We'll go to Monsieur Laforest.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Chair.

Mr. Perrault, in your opening statement, you said that at the very least, conditions must be established. As regards infrastructure projects, you talked about five conditions needed to guarantee a certain level of efficiency. You said that things needed to start quickly, and you also talked about adopting a streamlined process for requests. The fact that you say that suggests that the previous process was not so straightforward.

Can you give us a few detailed examples where the process has prevented work from being completed quickly?

**Mr. Jean Perrault:** The Building Canada plan entails a very long process. Take for example the 2007 budgets. We met with Mr. Harper, Mr. Flaherty and Ms. Verner. The Federation of Canadian Municipalities also had the privilege of meeting with Mr. Baird when he was just appointed Minister of Transportation. We pointed out that since 2007, the Buildings Canada initiative was very slow. Negotiations with the provinces, the requirement to have the provinces pay one third of the total, and then making the same request to municipalities was a very long process. Mr. Baird made a commitment on behalf of his entire department to streamline this process. Gathering from what I heard earlier, and what I've already heard previously, he wants to work with the provinces and territories, all the while respecting their jurisdiction. We also respect that.

What is essential is that money be distributed quickly to the provinces. Municipalities want to work with the provinces, according to specific requirements. We're simply saying that if this money is dedicated to infrastructure, to repair water pipes in basements, and waste water systems, then it is not necessary to undertake exhaustive studies in order to deliver the goods locally. I believe that we have to implement a process that will involve people being accountable at the federal, provincial and municipal levels. We're all elected by the same people; at this moment, those people are asking us to work together.

We would also like to see procedures streamlined. For example, if I have a stretch of highway to repair, and it costs \$1 to \$2 million for a certain distance, tell me that I'm entitled to go ahead with the repairs, I'll tell you when I will be finished, and I'll have the backing of the auditor general and independent accountants, if you require. Those people would be able to tell you that the repairs were made, according to original plans, that the money was not used to cut taxes or any other purpose, such as removing snow, as was mentioned earlier. In fact, we want to obtain answers quickly so that our engineers and workers can get down to work.

**Mr. Jean-Yves Laforest:** Therefore, it is only in completing a project that one can determine whether or not those involved have a sense of responsibility.

**Mr. Jean Perrault:** Yes, and I don't think it should take as long as it does.

**Mr. Jean-Yves Laforest:** You also mentioned cost-sharing and the use of federal loans to help municipalities that are not able to do it on their own. We know full well that some municipalities are not ready to act quickly if they will have to share up to 50% of the cost with the province.

You probably have in mind some type of process where the federal government would undertake to lend the money directly to the municipalities, through the province. Money would be transferred—

**Mr. Jean Perrault:** I don't know if it would work in Quebec, but with respect to other provinces, perhaps a loan...In Quebec, I think the municipalities can borrow at an interest rate of 4%...It is available to us if we wish to use it, but it has to be done through the province. We have to have provincial approval. We definitely agree on that.

• (1035)

**Mr. Jean-Yves Laforest:** Earlier, Mr. Morrison said that ideally, all of the engineering work should be done by the private sector because if the municipalities call upon their own resources, this could be considered a subsidy to reduce their costs.

I would like to know what you think about that. With all of the projects that they undertake, do cities not already make ample use of the private sector?

**Mr. Jean Perrault:** Absolutely. Small municipalities deal almost exclusively with private sector professionals. Cities like Sherbrooke, Montreal and Quebec City employ generalist engineers who work with the private sector. Most of our projects are subcontracted out. We call for tenders and we work with private companies. If we are eligible for this funding, we must absolutely find a way to get it. We don't have all of the staff that we would require to meet these objectives. We need a green light to go ahead and get the funding and start planning. If we want shovels in the ground by September, then we need to have the go-ahead today, so that we can plan, hire professionals and borrow money.

You asked earlier if the cities are able to engage in cost-sharing, to share in the funding. It isn't quite that simple for 2009, since we have already done our budgeting, the tax bills have been sent to our citizens, and we have already gone into debt.

If you ask me whether or not, as the mayor, I would be prepared to pay one third next year, I would say that I would rather pay one third

than three thirds. I would much rather pay one third, rather than have to pay the entire amount to meet the needs of a city.

The government requires participation...The gas tax is a recurring amount. That allows you to determine how much money will be going to cities like Montreal, Quebec City, Toronto or Vancouver. The province also has to be included, in order to respect its jurisdiction. The federal government will have to act quickly in sending money to the province, so that we can then be given the green light. Give us the green light now, and we will be able to put people to work.

If I don't have the money this year, could the government be a little flexible? The government wants to split the funding three ways so that a total of \$12 billion will be invested rather than \$4 billion. I understand that. That will put more people to work. If it is flexible, then we could contribute one third in 2009 and start the projects in 2009. We could pay in 2010. It seems pretty straightforward to me.

**The Chair:** Thank you, Mr. Laforest.

[English]

Mr. Wallace, please.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chair, and thanks to our guests for coming today.

I'm going to focus on the Federation of Municipalities. I was a councillor for 13 years so I have a few questions.

I appreciate that the ACEC and the CCA are here, and the comments on job creation from the Construction Association, after the budget was released, that every billion dollars invested means more than 11,500 jobs. I also appreciate the comments this morning about getting things going.

If I'm hearing you correctly, you're looking for us to take action and get things passed. Just like in a municipal budget, you don't authorize your staff to be out doing things before your municipal budget gets passed. Is that not correct? So you would like to see us get this stimulus package passed through the House of Commons and the Senate as quickly as possible so stimulus money can start to flow. Is that correct?

**Mr. Jean Perrault:** You were a city councillor. Our staff are preparing a budget. They have seven dossiers, and you as a city councillor will approve one to five, for instance.

**Mr. Mike Wallace:** Right, in the capital budget.

**Mr. Jean Perrault:** Okay, but the other projects are there in the capital budget. Even in the organization, our employees prepare and they hope they have the funds. If they don't have the funds, they will stop at that line.

So we're ready.

**Mr. Mike Wallace:** You are ready. And that is my second question.

There has been some discussion in the press about municipalities not having their third. I can tell you from my perspective, from Burlington and the region of Halton, which is where I'm from, they've given me a long list of capital projects that are in their budget in 2009, approved already through council, ready to go, looking for support.

Would the vast majority of the members of your association have their capital budgets approved, they're ready to go, they're shovel-ready, they're ready to go to permit? I understand what you're saying. They're the top four or five on the list. If they get more money, the list can get longer.

Would you say most municipalities that belong to FCM are ready for that?

• (1040)

**Mr. Jean Perrault:** I have a list here of all the cities that have said they have many projects ready to go. If they have an acknowledgment by the province and the federal government of new funding, they'll be able to do more jobs than they already have.

This year we have \$15 billion of investment by municipalities. So by asking them a third this year, it's difficult. You were a city councillor. Some are taking the chance and have approved budgets, saying they'll do this if they receive the funding from the federal and the provincial—

**Mr. Mike Wallace:** So your answer to me is that they are ready, that they are prepared?

**Mr. Jean Perrault:** Projects are ready, and not all the cities—Toronto, Montreal, or every other one, smaller ones—say they have the third right now. I think it would be difficult. If we have flexibility from the government, as I said before, I would prefer to pay one-third than to pay three-thirds of it. So if you give me the opportunity, because this year.... Will they raise taxes this year? Will they indent the city for one more third this year? Or can they have the chance to do it next year, for instance, and look at the whole package? I think it would be interesting. That's why we ask for flexibility. We want to—

**Mr. Mike Wallace:** Okay. I only have seven minutes, sir. I'm going to cut you off.

You're a mayor, right? Is that correct?

**Mr. Jean Perrault:** Yes, sir, for 15 years. And 12 years—

**Mr. Mike Wallace:** You're well versed on the issue. That's why I asked.

The question I want some clarification on is with regard to the gas tax approach, where it's a direct payment to the municipalities. That money flows based basically on the number of people in your community, right? And there were no federal requirements for EAs attached to that money, that you know of?

I don't think there's one in Ontario; I don't know about other provinces.

**Mr. Jean Perrault:** The Province of Quebec has decided, in agreement with the federal government, that the gas tax has to be used for this purpose—for instance, water, sewer, and not asphalt. They have to follow these rules for the gas tax, and that's good. Because if people in cities repair the asphalt, they don't prepare the ground underneath.

**Mr. Mike Wallace:** Right. So in the economic action plan we've put out and the component on infrastructure, with the one-third/one-third, there has been a suggestion.... I could be wrong and Monsieur Mulcair can clarify this, but my understanding is the NDP favoured a straight gas tax approach over the one-third/one-third approach, and they're also complaining it might remove the need for federal EAs.

EAs are still required. If it's municipal, a provincial EA is required. But isn't that contradictory? Aren't we doing the right thing by removing that extra layer of bureaucracy so we can get these projects on the ground—?

**The Chair:** Just for clarification, EA is environmental assessment?

**Mr. Mike Wallace:** That's correct, sir.

**Mr. Jean Perrault:** As municipal officers, we have to follow the rules of the land and also follow the rules of environment. No elected officers, at any level, can disrespect the environment. But if there's duplication of things, why can't we just make it easier? But let's follow the rules. Monsieur Mulcair was the environment minister in Quebec, and the cities do not want to go around the rules. We have to follow the rules.

If it's a duplication, if we can cut red tape, let's do it. But let's respect the environment. No elected officers can refuse to respect the environment. We have a legacy to leave.

**The Chair:** Thank you, Mr. Wallace.

We'll go to Mr. Mulcair.

[Translation]

**Mr. Thomas Mulcair:** Thank you Mr. Chairman. Welcome to our guests.

I would like to address my first question to Mr. Morrison. You alluded to the study undertaken by Pierre Marc Johnson after the collapse of the de la Concorde overpass. It was, in fact, the second collapse, since the du Souvenir overpass had collapsed before that. However, the two situations were different: in the case of the du Souvenir overpass, it was under construction, whereas the de la Concorde overpass had been built in the 1970s.

You spoke about the rules for awarding contracts to engineers. You said that it was advisable to follow the established model. I have a question that does not necessarily relate to a formal examination nor to official rules of attribution. How can you be sure that when you award a \$50 million contract, the costs will not go beyond that amount? I know that I will have an opportunity to ask Mr. Atkinson the same question a little later. He said something quite important about the need to include the long-term costs for maintenance and resurfacing in assessing a project.

The public is having a more difficult time understanding how we can announce the construction of an overpass or a highway interchange. There is a well-known case in Montreal. This is not a criticism of the companies involved nor of the engineers; I want that to be very clear. Work began on the Acadie interchange at a cost of some \$50 million. The latest construction work cost more than \$100 million, and the public can't understand why. There was a call for tenders, but it soon became obvious that a great deal of work was required. The fault does not lie with the contractor. There is something almost akin to a sub-profession besides the engineer and the contractor, and I am referring to the person who is responsible for finding all of the "extras" and negotiating their cost.

How can people who are responsible for guarding the public purse be sure that, once a contract is signed, everything possible will be done to determine the real cost of the work and ensure that the amount will be the same once the dust has settled?

• (1045)

**Mr. Jeff Morrison:** Mr. Mulcair, I think the public has an erroneous concept of the way in which contracts are awarded for infrastructure projects in Canada.

If I may, I would like to continue in English.

[English]

First of all, there is still a very strong misperception that the cheapest proposal, the cheapest bid for a particular infrastructure project is the best. It brings the greatest value to the taxpayer. What the Johnson commission recognized and what experts across the country have recognized is that this is not the case. Given the nature of infrastructure, given the public trust that goes into any infrastructure project, professionals involved in the development, the design, and the construction of that project need to have a qualifications-based assessment process in place. That is not the way it's done right now, with the exception of the Province of Quebec, which has now recognized that qualifications need to be central to the procurement of any sort of professional.

You alluded to the notion of what I would call life-cycle costing. All too often another misperception is that the upfront cost of a particular project is it, and that once a municipality or a province pays for the design and construction of a particular project, its hands are washed and the project is in place. We of course know that's not the case. Any project, be it a building or an overpass, has life-cycle costing attached to it. In terms of an evaluation of a project, we have always argued that life-cycle costing needs to be a component of the evaluation.

Right now, I can tell you, the federal government rarely does that. At Public Works, Government Services Canada, Defence Construction Canada, when we've asked the question as to whether there is an environmental cost, a life-cycle cost involved, there isn't—

**Mr. Thomas Mulcair:** Mr. Morrison, it's never the fault of the interpreters, it must have been something that I said, but I think something was lost in the translation.

I was asking you to address yourself specifically to the following issue. You start a project at \$50 million. You've done your call for tenders. You've used a qualifying process to get the best, and it might not even be the lowest, but whether you go with the person who had

\$50 million, and it was the lowest, or the person who came in at \$65 million, but who had better qualifications—you might go to that one—what invariably happens is the dance, the waltz, around the extras begins. On the \$65 million project, all of a sudden you realize that what was put into the call for tenders, which was drafted by the engineers, also with their lovely little rings, in the ministry of transport...there's a bunch of things missing, and the dance for the extras begins.

Your \$65 million project becomes a \$135 million project. We're responsible for looking at how you spend public money. How do we avoid that?

**Mr. Jeff Morrison:** I'll refer to one study that I think answers that question. A study is going to be released next month out of the United States, by two university researchers, that looked into the benefits of a qualifications-based approach. One of the results of that study will show, once it's released, that in fact with respect to this dance for the extras, as you call it, using a qualification-based system dramatically reduces that dance.

The number of change orders, the number of extras, and the number of modifications to a tender are dramatically reduced when you can procure a professional consultant based essentially on the qualifications, the background, and the level of knowledge of the professional.

So to answer your question, I would agree with you that there is a certain dance that goes on. There are a number of change orders, there are a number of amendments that always happen and that add to a project cost. But I think if you can procure a professional consultant, who really is a bit of a steward of any infrastructure project, and if you can do it in the right way, I think you can dramatically reduce those costs.

• (1050)

**Mr. Thomas Mulcair:** I have the same question for Mr. Atkinson.

**Mr. Michael Atkinson:** Well, we're about to release a study in a couple of weeks that we did jointly with federal government contracting agencies and others on cost predictability for projects. There are a number of factors that go into that.

In the construction industry, the last thing we contractors want to see is change orders. If we can proceed from start to finish on a project based on the design and specifications, we would much prefer that than the other factors that come in.

The other thing that I think has been a problem is the contract award period. We've seen situations, not just with the federal government but with other contracting authorities, where instead a prompt award being given within 30 days, for example, these things go on for 90 days, for 120 days. To expect contractors and their suppliers to keep their prices fixed and firm over that amount of time, particularly when you have material prices escalating quite substantially, is just not in the cards. So there are a number of things that can be done on both sides to try to keep those costs in line.

**The Chair:** Thank you. *Merci.*

We have Ms. Hall Findlay.

I'm advised by the clerk that I need the unanimous consent of the committee, because there has not been a formal substitution. Do I have unanimous consent, just this once?

**:Some hon. members:** Agreed.

**The Chair:** Ms. Hall Findlay, you have five minutes, please.

**Ms. Martha Hall Findlay:** You are all such gentlemen. Thank you.

[Translation]

I would like to thank everyone for taking the time to appear before us today.

[English]

I have two quick questions.

Mr. Perrault, there has been much discussion about the ability of municipalities to participate in this, given the matching requirements. I've heard you say that for 2009, because budgets have already been set, unless you have a commitment of money flowing into 2010 and perhaps even beyond, it will be difficult to engage in this right now for the 2009 construction season. And you've talked about the need for some flexibility in some of that commitment.

Is that correct, and if so, what would you ask the government to do that's different from the current structure to provide you with that flexibility?

**Mr. Jean Perrault:** Well, I said it a few minutes ago. I think flexibility is the word that should be used. You know that there is \$15 billion already committed, that has been accepted in all municipal budgets. You were a city councillor before. When it's passed, it's very difficult, and it takes a lot of time.

For instance, if tomorrow I have an acknowledgement from the federal government and the provincial government that I have \$2 million, and I have a project for \$6 million, and I have to put in \$2 million and borrow \$2 million, it will take, as a city, at least three to six months before getting approval to borrow the money.

When you make a demand for money.... Well, in Quebec, and in other provinces it should be the same, you have to put in your request what you are going to do with it, what your plan is, and what the details of your project are. Then you will get approval from the Quebec government saying, okay, you have your money. Then you can start.

So if I put in the request now, February 12, and it takes between three and six months to approve that funding, I'm almost at August. Then I have to put out tenders, and that will take at least four to six weeks. Then I have the decision, maybe in October, and snow will start in November in this country. So it's very difficult for us right now to say okay, just....

The minister says that he has 1,000 projects on his table and says they acknowledge this. Well, I have to talk about my 1,720 members, which are small communities of 200 and cities like the City of Toronto, which is the biggest one. Right now we need flexibility to say to the ones that can't, the ones that have not had the one-third approved by their city councils because of the long process, yes, you're in accord right now; make your investment, and next year, by

resolution of the city council, you can borrow the money and put it in.

• (1055)

[Translation]

I would be disappointed if the

[English]

municipalities in this country would not have access because they do not have the opportunity now, like the others. Some municipalities are richer. You were talking about the city of Mississauga. It's a little bit different from other cities. They have some money, from what I gather, and so on. But I don't want to take an individual example. Smaller municipalities have the right to access this federal funding, even if they don't have it this year.

So flexibility could be for next year.

**The Chair:** Make it a very brief question.

**Ms. Martha Hall Findlay:** Can I just take it on the record that for a number of the municipalities, if the process were similar, not necessarily on a per capita basis as the Gas Tax Fund is now...? Given the time requirement, the speed we need for a stimulus now, and the concerns that you've raised about 2009, and possibly even there, is it correct to say that municipalities across the country would be able to do this much more quickly if the funding came through a gas tax fund type of process?

**The Chair:** A very brief answer, sir.

**Mr. Jean Perrault:** Yes, a gas tax would be faster, but we'll follow the rules. We want to find a way to simplify the rules right now, and we can put people to work. Like you, we have the objective of putting people to work, and if we can do it faster, the better it will be.

I will finish on this, Mr. Chair. I've never seen so much money from the government—I have the list here—available for infrastructure of all kinds. Let's find a way to put it down so that people can offer the service to the citizens.

**The Chair:** Thank you.

Monsieur Carrier.

[Translation]

**Mr. Robert Carrier:** Thank you Mr. Chairman.

Good morning Mr. Perrault. Good morning gentlemen.

Mr. Perrault, you are the mayor of a large city in Quebec. I'm happy to meet you. I'm not sure if you were here earlier, when we met with the minister. I told him that I was rather anxious to see some work get started so as to stimulate our economy. This is something that should have been done last fall. In any case, the minister offered his reassurance and told me that he had received a large number of projects and that work could begin quite soon.

However, you said earlier that you were ready to sit down with the minister. That means that there has been no communication between you and the minister, and I would like to ask you why that is the case. You are president of the Federation of Canadian Municipalities. Do you have a role to play? I expressed some concerns earlier. For example, it may be that there are not enough projects that are shovel-ready in any given province, but will each province at least have a guaranteed share of the infrastructure budget?

There is no specific reference to public transit in the budget. However, you said that there were 140 projects ready to go. To come back to your role, can you tell us if there will be public transit projects for urban areas? This type of project is extremely important.

**Mr. Jean Perrault:** Yes, Mr. Carrier, public transit is important to all Canadian communities. The Federation of Canadian Municipalities is extremely happy with the astronomical sum that we have before us today. We are talking about billions of dollars. We must find some way to distribute this funding quickly. It has to be done through the provinces, which is fine with me. It has to be done. We would like the money to be transferred from the federal government to the provinces so that we, the municipalities, can work with the provinces to acquire the required funding.

The Federation of Canadian Municipalities is working with Minister Baird. We met him immediately after he was appointed. As I said earlier, we were quick to meet with Mr. Harper. We invited him to attend our board meeting. There are 72 elected members from all of the provinces and territories in Canada. Mr. Baird was very open. I am convinced that he will come up with some flexible solutions. From what I understood, he will need extra staff, but I don't think that is necessary: he simply needs to send the money to the provinces. It will get to us more quickly that way. I think that we currently have some influence over the Canadian government. When I was president of the Union des municipalités du Québec, we tried to influence the government to step up the contributions towards the municipalities. I think we are a good partner. We know how to operate on the ground, how to provide services to our citizens. Moreover, there is the infrastructure side, where the need is extraordinary.

With respect to mass transit, we prefer to use the word "collectif" in French rather than refer to public transit, because small communities want to have a common service, in this case, transportation. This means that people could travel from the Lac-Mégantic region to Sherbrooke, for example, where they could then use the Sherbrooke transit system. A collective type of system is all encompassing.

We have buildings to construct, commitments and financial services to offer our transportation companies, so that these services can be provided to our citizens. As a Canadian federation, we have an important role to play. I am proud to be the president of the federation, because we represent the collective interests of tiny communities as well as those of Toronto, which is Canada's biggest city.

● (1100)

[English]

**The Chair:** Thank you, Mr. Carrière.

Thank you very much, gentlemen, for your presentations and responses here today. Unfortunately the time has run out.

I have a brief invitation from Mr. Menzies to Mr. Perrault for an event in his riding.

**Mr. Ted Menzies (Macleod, CPC):** I know this is selfless, but from reading your bio, Mr. Perrault, I see you're a former member of the national water ski team. I would personally like to invite you to the 2009 World Water Ski Championship Festival in the land-locked province of Alberta, at Predator Bay in my riding. We would be glad to host you. I'm sure Mr. Bronconnier would welcome you to come to his city. We'll find you a place to stay and we'll actually give you a little run on the water.

**The Chair:** It's the gopher capital of Canada, a very exciting place.

Thank you, ladies and gentlemen.

The meeting is adjourned.

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**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

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