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## **Standing Committee on Transport, Infrastructure and Communities**

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**EVIDENCE**

**Tuesday, October 19, 2010**

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**Chair**

**Mr. Merv Tweed**



## Standing Committee on Transport, Infrastructure and Communities

Tuesday, October 19, 2010

• (1110)

[English]

**The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)):** Good morning, everyone. Welcome to the Standing Committee on Transport, Infrastructure and Communities. This is meeting number 27. Our orders of the day are committee business.

We have our guests in the crowd now, but I'll ask them to be patient with us for a few minutes. We have a little bit of committee business to deal with.

At the last meeting, Mr. Jean gave a notice of motion. We have that in front of us. I would refer to Mr. Jean to make a comment and we'll proceed.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Mr. Chair, I think what the motion was attempting to do was to fast-track Bill C-20—or Bill C-37—to the point at which it was last left by committee members.

Quite frankly, I'm prepared to do whatever is required in respect of the members' wishes, but I would like to have the opportunity to hear from the new members specifically in regard to their position on it prior to any other issue.

I know that Mr. McCallum hasn't had an opportunity to address the issue itself, and I know that Ms. Crombie was here, of course, when we dealt with the previous legislation. But of course, I would like to hear from Mr. Guimond as well.

**The Chair:** Before I go to Monsieur Guimond, my position—and I guess the advice I've been given—would be to rule the motion out of order. The background basically says.... What I'm going to say is that when you start a new bill the procedure is to basically start at the beginning. But also, a couple of the amendments that are being put forward are already past the clause 10.2 stage, so we would actually have to open it up to go back to make those corrections.

If anyone else wants to comment, I'm certainly prepared to listen to it.

Mr. Jean.

**Mr. Brian Jean:** I have no difficulty with that. I was only trying to make it simpler to save committee time.

However, I do have, from Transport Canada, in both official languages, the differences between Bill C-37 and Bill C-20. I would like to hand those out to committee, but if this is ruled out of order, we're not going to challenge it. We'll deal with it as the committee deals with it, unless other people have a different desire.

**The Chair:** Are there any comments?

Monsieur Guimond.

[Translation]

**Mr. Michel Guimond (Montmorency—Charlevoix—Haute-Côte-Nord, BQ):** Thank you, Mr. Chair.

Mr. Jean invited us to share our comments and I thank him for the invitation. But I would like to tell him that I would have still done so.

Mr. Chair, you took the words right out of my mouth, which is not very hygienic on your part. Pursuant to Standing Order 75(1), this motion is actually out of order. But I would still like to hear what Transport Canada thinks about the differences between Bill C-20 and Bill C-37. That would make things easier.

I cannot support Mr. Jean's motion because, first of all, it is out of order, and second, we don't have a choice. I could quote Audrey O'Brien and Marc Bosc, but if we agree unanimously that Mr. Jean should withdraw his motion, it would be a lot easier. However, I want to add that the Bloc Québécois does not intend to reinvent the wheel. We have already heard from witnesses on this bill, which seems quite similar. It is not necessary to go through the process and hear from the same witnesses once again. This committee should try to be efficient. I feel we could proceed very quickly with the clause-by-clause study of this new bill.

As to my not wishing to hear from the same witnesses again, I would need to check some things with my colleague Mr. Nadeau, the member for Gatineau, who is directly involved. Whatever he has to say, I will defer to his arguments on the issue. My main request is not to hear from the witnesses again. Thank you.

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

[English]

Mr. Jean has circulated a document showing the differences between the two bills. We'll let people review that and then proceed when the bill comes forward.

Our second item of business is a budget that was circulated to the committee members. Before the break, we decided to go to La Pocatière to study with Bombardier. We had the budget approved, but because of circumstances we didn't make the trip. This is basically to put it back on the agenda at the convenience of the committee.

What I'm going to ask for is a motion that the proposed budget, in the amount of \$14,194 for the committee's travel to La Pocatière in the fall of 2010, be adopted, and that the chair present said budget to the liaison committee.

Are there any comments?

Mr. Dhaliwal.

• (1115)

**Mr. Sukh Dhaliwal (Newton—North Delta, Lib.):** I propose the motion.

**The Chair:** Mr. Jean.

**Mr. Brian Jean:** We haven't had an opportunity to hear from Monsieur Guimond, or in fact from the new members, on whether or not they consider this to be a worthwhile trip. I'd just like to hear from them in relation to that first, because last time, of course, we did have the difficulty in regard to our travel. But also, some of the members who said they were going to be there didn't come. I just want to make sure that we're not wasting our time, with a few members coming from the government or the opposition, and that everybody is interested in going.

**The Chair:** Comments, anyone?

Monsieur Guimond.

[Translation]

**Mr. Michel Guimond:** I would be interested in going. But would my colleagues be ready to provide me with reasonable accommodation? I am an MP in the region of Quebec City, and the city of La Pocatière is an hour and a half away from my home. We can plan on going there, but it always depends on Bombardier's willingness to receive us. I personally would prefer a Monday or a Thursday. You talked about chartering a plane for a return trip if it was during the week. It would be great if you were able to meet my request. But the people from Bombardier might only be able to receive us on a Tuesday. Wednesday does not work so well since we have the caucus meetings. Whenever it is, I am in favour of the idea.

[English]

**The Chair:** That was the original plan. This will just authorize the funding of it when we make the final dates available.

So do we have agreement on that...?

(Motion agreed to)

**The Chair:** Thank you.

We have two other things, very briefly. Because of the timeframe of 11 a.m. to 1 p.m., I've asked if we should bring in a light meal. I need a motion to do that. The motion would say that the clerk be authorized to order a meal when the committee meets over lunch between 11 a.m. and 1 p.m. Is that agreed?

(Motion agreed to)

**The Chair:** Thank you.

The last bit of business is that the minister has agreed to appear on October 28. We will be asking that the appearance be televised, so I'm advising the committee of that request now. Okay?

The last thing I have before we bring our guests here.... Actually, I'll wait until the end of meeting for it.

At this point, I would like to invite our guests to come to the witness table, please.

Actually, while they are getting settled, I'll just advise members again. I sent a memo to the committee members. It was an invitation by Air Transat to meet with the committee, and the date has been set. If you choose to come, we have seven people who have already said yes, but if there are others, we would like to confirm the numbers in the next short while. Thank you.

Welcome to our witnesses today.

Pursuant to Standing Order 108(2), a study of the impact of the Government of Canada's deadline of March 31, 2011, for completion of projects under the infrastructure stimulus fund and the recreational infrastructure Canada program, joining us from the Federation of Canadian Municipalities are Mr. Brock Carlton, chief executive officer, and Gabriel Miller, director, government and media relations. From the Saskatchewan Association of Rural Municipalities, we have with us Mr. Dale Harvey, assistant executive director.

We thank you for being here today. I don't know if you guys have tossed a coin as to who is going to start, but the floor is open.

Mr. Carlton, please.

[Translation]

**Mr. Brock Carlton (Chief Executive Officer, Federation of Canadian Municipalities):** On behalf of our 1,900 members, I would like to thank you for inviting us today. This discussion is important for our members. I would also like to say that our president, Mr. Hans Cunningham, was not available this morning, but he sends his regards.

• (1120)

[English]

I am going to make some fairly brief remarks so that we have a lot of time for questions and answers. There are really three topics we would like to talk about today. The first is what the municipalities have done to make the economic action plan a success. Next, what is the status, from our perspective today, with respect to the economic action plan, and what are the next steps we think the government should take? Finally, I will finish with a word about what is really our top priority: building a vision for when stimulus is finished.

Before getting to that, though, there are two points I'd really like to underline. One is that municipalities have a huge stake in Canada's stimulus plan. We have been working flat out to make it a success, and we want to put every single dollar to use in the stimulus plan to create jobs and continue building a stronger Canada.

The second thing I want to underline is that we really welcome the recent commitment by the government to be fair and reasonable when it comes to the stimulus deadline.

First, let's talk a bit about what we have achieved. What I remember is that two years ago, Canada fell into the worst recession, and municipalities came forward saying that we were ready to help, that we were ready to play our role in fighting this national crisis.

At that time, FCM produced some research showing that the best way to create jobs and the best way to boost the economy was to invest in infrastructure. In fact, our research said that when fighting a recession, investing in infrastructure is twice as effective as tax cuts. In the weeks before the economic action plan, we produced a list of shovel-ready projects just to demonstrate that municipalities were ready and able to respond very quickly in this kind of crisis. We had the facts on our side, and we were ready to go to work to fight this national crisis.

In January 2009, we applauded the government's decision to make infrastructure a cornerstone of the economic action plan. In the following months, new funding was rolled out in record time, but as in all these programs, there were some challenges. It took time for the government to negotiate funding agreements, design programs, and approve projects in 13 provinces and territories. These challenges created time pressures that we're still feeling and still trying to deal with today.

Let's be honest. There's no denying that we achieved an awful lot in 20 months since the stimulus plan was launched. More than 20,000 stimulus projects are under way. There has been more than \$10 billion worth of investment from the different orders of government. We have created over 100,000 jobs. That's more than 50%, or half the jobs promised when the economic action plan was launched.

Where are we today?

I said that municipalities have been working flat out. Infrastructure Canada has been working closely with the provinces and territories to monitor these projects. They found that the vast majority of the projects are under way and are on track. As for FCM, we have been keeping close tabs on our members. We talk to our colleagues in the provinces and territories across the country, and they're all telling us that in most places, most projects are on or ahead of schedule. But there are communities and regions where circumstances have caused delays, such as flooding in Saskatchewan and hurricanes in Newfoundland. These all have an impact on progress toward the end of these projects.

But there are also communities where projects got off to an unusually late start because of drawn-out, lengthy negotiations between the federal government and the provinces and delays in program design and project approval. This is particularly significant in the province of Quebec. Every day, our members in Quebec are working hard towards completing these projects, but many of them are behind schedule, and there will need to be some flexibility provided.

What's next? We continue to work together—federal, provincial, territorial, and municipal governments—to help pull Canada out of this recession. Things have not gone perfectly. This is a highly complicated program to deliver, and this is why we have been calling for flexibility all along.

When it comes to the stimulus deadline, we welcome the federal government's promise to be fair and reasonable. We really have three recommendations for the government for it to live up to this commitment.

First, the government should commit immediately to showing flexibility wherever a community has worked hard and played by the rules but requires more time to finish stimulus projects. It should encourage the provinces and territories to do the same thing.

Second, the government should direct the public service to start working with individual communities to adjust project schedules as necessary.

Third, the federal government must work with the Province of Quebec to develop a strategy for completing stimulus projects in that province.

• (1125)

In conclusion, up until now all three stimulus partners have shown flexibility where necessary. In setting up the program, the government showed flexibility in negotiating with each province and territory a program that fit their particular regional needs. Municipalities showed flexibility by coming forward with a bunch of projects, keeping them alive, and waiting while the program was set up, the agreements were put in place, and the projects were improved.

Now, as we enter the home stretch of the stimulus plan, it's clear that continued flexibility is the key to continued success. But as I said at the start, there's one final thing we would like to underline, and that is the question of what happens when stimulus is done.

We believe that we need a long-term plan for investing in our infrastructure in our communities, a plan that goes beyond the next six months. I'm not talking about more stimulus; I'm not talking about more short-term spending. We know we're into a period of fiscal constraint; we know the coffers are really tight and the lean years are upon us. Thus, we believe it's really important to take this moment to take time to take stock of our long-term infrastructure needs, to start designing the next generation of federal infrastructure programs, and to understand that infrastructure is critical to our economic health and competitiveness.

This period of time gives us a chance to plan so that as the economy strengthens and the resources become available, the resources can follow a plan that is in place and move quickly to support ongoing infrastructure investments in this country. That way, when the fiscal outlook improves, we will be in a position to protect our recent gains and build infrastructure needs to thrive in a 21st-century Canada.

*Merci beaucoup de votre attention.*

**The Chair:** Thank you.

Mr. Harvey.

**Mr. Dale Harvey (Assistant Executive Director, Saskatchewan Association of Rural Municipalities):** Good morning. My name is Dale Harvey. I am currently the assistant executive director for the Saskatchewan Association of Rural Municipalities, more commonly known as SARM. On November 1 of this year, I'll be taking over the duties of executive director.

President Marit sends his regrets on being unable to make this presentation on behalf of SARM. He is currently making a presentation to the Standing Committee on Finance as part of the pre-budget consultations.

I'd like to begin by thanking the standing committee for inviting us here to share our thoughts on the stimulus funding and the project completion deadline. I'm pleased to have the opportunity to make representations on behalf of SARM and rural Saskatchewan. SARM represents all 296 rural municipalities—commonly known as RMs—in the province of Saskatchewan and acts as the common voice of rural Saskatchewan. All members belong to SARM on a voluntary basis.

We'd like to thank the federal government for the funds provided to Saskatchewan's rural municipalities through the stimulus programs. The funding assisted with various types of projects, such as local road and bridge construction, arena upgrades, water facility upgrades, and lagoon expansions. These projects have provided work for many people in the province and have provided a boost to the local economy.

The majority of the funding allocated to rural Saskatchewan went to local road and bridge infrastructure projects. Local road and bridge infrastructure is vital to Saskatchewan's commerce and industry. As a landlocked province, we have very few transportation options. The province's economy is very much commodity- and export-driven, with agricultural products, potash, and oil and gas being major players. These commodities and resources are almost exclusively located in rural areas and utilize rural municipal road systems to reach their markets.

In 2008, Associated Engineering reported that approximately \$567 million over the next 15 years would be required to repair and replace the rural bridge system. In 2009, the AECOM engineering firm reported that approximately \$225 million per year would be required to maintain and replace 130,000 kilometres of rural gravel roads.

It's estimated that in order for RMs to fully fund roads and bridges, an additional \$389 million would need to be levied from the RM tax base annually. With the expanding economy, these numbers are only going to increase. Rural municipalities do not have the ability to finance this infrastructure by themselves. The continued assistance of provincial and federal governments is vital and very much appreciated.

As you most likely have heard, this past spring and summer in Saskatchewan have been exceptionally wet—not at all ideal for constructing infrastructure. This has delayed many projects that in a normal year would have been finished by now. As well, because of our severe winters, the construction season is short. It's basically from April to October.

We've been monitoring the progress of the stimulus-funded projects throughout the year and we did another survey last week. Because of the recent dry and warm weather we've been experiencing, very good progress has been made on many of the projects not yet completed. We are optimistic that most projects, if not all, will be complete by the deadline. However, there is no guarantee, as we are at the mercy of the weather.

Given this, we support an extension of the deadline for specific projects that cannot be completed due to factors such as weather, and we hope to hear of this announcement in the near future, rather than right before the deadline. SARM will continue to update the committee on the progress of the projects in rural Saskatchewan as they approach the March 2011 deadline.

Thank you again for the opportunity to present before you today.

Mr. Chair, I'm happy to respond to any questions the committee may have.

● (1130)

**The Chair:** Thank you very much.

Mr. Dhaliwal.

**Mr. Sukh Dhaliwal:** I would like to thank the members who came out to give us a presentation.

I will go directly to my questions.

Mr. Carlton, how many projects will not be completed by the March deadline? Have you heard from municipalities other than those in Saskatchewan, Newfoundland, and Quebec?

**Mr. Brock Carlton:** Our members report to the provincial government and through to the department of infrastructure. We have not put any kind of additional onerous requirements on them to report individually to us.

The numbers we use are the numbers that are collected by the department, and the department says that about 97% of the projects are currently on schedule. We do not have a number on specific individual projects across the country, but the trends have been really clear to us, and I mentioned them in my comments.

**Mr. Sukh Dhaliwal:** The minister has also made a statement that the department will be fair and reasonable about unavoidable project delays.

Is the department only making a statement or have they put a policy in place to help those projects?

**Mr. Brock Carlton:** We've heard the political statements from the ministers. As I said in my speech, we're calling on the government to instruct the department to start those discussions at a very practical level. I'm not aware of any evidence that a practical application of the fair and reasonable commitment has been undertaken by the bureaucrats yet.

**Mr. Sukh Dhaliwal:** You have made a very good point. You said that stimulus spending is twice as effective as making tax cuts. On the \$6 billion in cuts going to bigger corporations, do you think that money would have been better spent on further investment in infrastructure rather than on those tax cuts to bigger corporations?

**Mr. Brock Carlton:** I can't comment on that specific question, on the hypothetical nature of it, but our research did say that in comparing tax cuts to infrastructure spending, when looking at job creation as an economic stimulus, the infrastructure spending was twice as effective as tax cuts.

**Mr. Sukh Dhaliwal:** Mr. Harvey, you said that you had a very good season and most of the projects are going to be completed on time. But on the other hand, you are also saying that it's up to the good mercy of the weather. Can you give us a ballpark figure on the amount that will not be spent because of weather conditions?

**Mr. Dale Harvey:** I wouldn't be able to give you an exact number. Through most of the summer, the weather wasn't conducive to building infrastructure, and the majority of the infrastructure we're talking about is outdoors—roads and bridges.

If you've heard anything about farming this year, you'll know that 10 million acres didn't get seeded out of a total of 35 million or 40 million in the province, and another two million were flooded. So you know what kind of summer we've had. We've been lucky this last little while that we've had a window for agriculture, but it's a window to build roads and bridges too.

Our staff talked to one municipality last week, and they're doing—I forget how big the project is—road construction and paving. They finished the preparation work last week, and hopefully they can start to pave next week, but we could have rain and snow any time now.

• (1135)

**Mr. Sukh Dhaliwal:** So what are your members telling you? What should the date be instead of the March 31 deadline? What do you think would be reasonable for all the projects to be completed in Saskatchewan?

**Mr. Dale Harvey:** I couldn't come up with an exact date, because even if it wasn't.... For any projects that aren't completed this fall, a lot of the times you can't get going on them first thing in the spring because of the wet conditions. So it could be almost on a case-by-case basis.

**Mr. Sukh Dhaliwal:** So you want the government to come up with some kind of policy, then, so the projects don't stop on the March 31 deadline, right?

**Mr. Dale Harvey:** Yes, in cases where it's out of the control of the municipality, and they can't do anything about things like weather.

**Mr. Sukh Dhaliwal:** Thank you.

Mrs. Crombie, do you have something?

**Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.):** Yes. I'd like to jump in as well.

Thank you very much. It's nice to meet you all. Thank you for presenting today.

Just quickly, what additional costs have been incurred by which municipalities to ensure that these projects are going to meet their deadlines? For instance, have there been overtime labour costs, increased costs of supplies and engineering, or other professional costs? How bad are the overruns to municipalities? Can you single out any specific municipality that's been particularly badly hit?

**Mr. Brock Carlton:** We don't have a specific case. We know that it's very inconsistent across the country. It depends on local conditions. In some cases, there have been savings because of efficiencies in effective procurement procedures and implementation. In other cases, there have been some cost overruns because of shortages of labour and that sort of thing. But I don't have a specific

example of one place. Our interest is in national level policy concerns, not individual concerns.

**Mrs. Bonnie Crombie:** I have to tell you that I think the mayors are jumping up and down and screaming, and I'm sure that at least one of them has knocked on your door. Why don't you give us an example of one municipality that has been hit by significant overruns?

**Mr. Brock Carlton:** Honestly, no one is jumping up and down and banging on our door about that issue. As I said, it varies from region to region based on local specificities.

**Mrs. Bonnie Crombie:** What about in Ontario?

**Mr. Brock Carlton:** I don't have a specific example that I can give you.

**Mrs. Bonnie Crombie:** You referenced that annual infrastructure moneys are inconsistent and needed and certainly can't fall on the backs of the property tax holder. What sorts of funds are needed annually for municipalities for decaying infrastructure? How do you project that they be funded once the infrastructure stimulus has been cut off? How do you see sustainable funding?

**Mr. Brock Carlton:** I don't remember making that comment here in my presentation, but I understand the broad question.

You're all aware of what we have put forward: that there's a \$123-billion infrastructure deficit at the municipal level in this country. But as we have said, we need to take the time now to do the planning, the inventory, and to take stock of the situation so we can work out together what makes most sense in terms of a program going into the future.

That requires analysis. It requires a dialogue with the three orders of government about the magnitude and the kind of programming that's going to make sense to respond to this. We don't come to this table with a specific dollar figure, a specific ask, just as in the pre-budget submission we did not make a specific ask. We have said that fallow periods are here for the fiscal arrangement in this country, so let's sit down and do the planning so we can look to the long term and address this over the longer term.

**The Chair:** Thank you.

Monsieur Guimond.

[Translation]

**Mr. Michel Guimond:** Thank you, Mr. Chair. Thank you for your presentation.

Mr. Carlton, you talked about three things the Federation of Canadian Municipalities expects from the federal government: flexibility, deadline adjustment and close collaboration with the Quebec government in order to find a solution. In your answer to my Liberal colleague, you talked about the third aspect—working closely with the Quebec government.

Why would this issue concern Quebec?

**Mr. Brock Carlton:** Thank you for your question. It is simple. In Quebec, negotiations between the federal government and the provincial government pose a particularly big problem. There are significant delays, longer than in the other provinces and territories. So the projects in Quebec are lagging behind the projects in the rest of the provinces and territories. That is why we are saying that we have to focus our efforts on the project issues in Quebec.

• (1140)

**Mr. Michel Guimond:** In your answer to my colleague Mr. Dhaliwal's question on the number of projects that have to be completed by the March 31, 2011 deadline, you talked about 70%. So 30% of the projects, which is not a new figure to me, might not meet the deadline. Out of the 30%, what is the province-by-province breakdown?

Your colleague from the Saskatchewan Association of Rural Municipalities talked about the specific problem in Saskatchewan. But is it true that the vast majority of the 30% of projects that cannot be completed are in Quebec?

**Mr. Brock Carlton:** Broadly speaking, I think that the vast majority of projects are in Quebec. We don't have the figures for each province, but, as I said, the problems are worse in Quebec than anywhere else in the country. I know that you are going to have the opportunity to speak with the Union des municipalités du Québec, which will probably be able to provide you with more accurate figures than we have.

**Mr. Michel Guimond:** Mr. Harvey, I also read in the papers that the Saskatchewan government was conducting negotiations with the federal government.

Is the Saskatchewan government currently making claims to push the deadline back?

[English]

**Mr. Dale Harvey:** You'd have to ask the provincial government. I don't know whether they are or not.

[Translation]

**Mr. Michel Guimond:** You don't know.

[English]

**Mr. Dale Harvey:** Right.

[Translation]

**Mr. Michel Guimond:** I'll come back to you, Mr. Carlton. I had the opportunity to ask questions a few times in the House and I would like to know what you heard.

What are the kind of problems in Quebec that make it impossible to complete the work? Federal-provincial negotiations were mentioned, but are there other problems specific to Quebec?

**Mr. Brock Carlton:** According to my information, the problem is that there is not enough time to complete the projects because the deadline was set beforehand. So the delays are not specifically related to the weather or other things; it is just the timing...

**Mr. Michel Guimond:** All right, but...

**Mr. Brock Carlton:** ...based on my understanding of the situation in Quebec.

**Mr. Michel Guimond:** Perhaps some of my colleagues will find this piece of information interesting: we talked to the municipalities and they said that there is a shortage of water and sewer pipes. You cannot use an eavestrough meant for a house to replace an 85-year-old water pipe in an old community.

Have you heard about this too, about a shortage of water and sewer pipes?

**Mr. Gabriel Miller (Director, Government and Media Relations, Federation of Canadian Municipalities):** In our conversations with the Union des municipalités du Québec, a number of factors were mentioned, including the availability of materials. The association has more information on this, but we think that all these factors are much worse and more serious because the deadline is a lot tighter. So, if it is difficult to find the labour or the materials, the problem becomes a lot more serious when we only have a year to complete the project instead of two years.

• (1145)

**Mr. Michel Guimond:** Yes, I am talking about a shortage of contractors... It is an issue at the moment and I imagine it is the same in the other provinces too. The provincial governments and the federal government have their separate economic recovery plans. We have seen it in the United States. President Obama spent billions of dollars to rebuild the infrastructures. You must know that it is not by accident that we are doing this infrastructure renovation work right now. It is to keep people employed in order for the economy to keep going during this crisis.

And I can tell you that, in Quebec, there is a shortage of contractors, there are not enough contractors to get the work done. Mr. Miller, have you heard about this?

**Mr. Gabriel Miller:** I have not heard about a situation as serious and specific as the one you have described, but it is one of the things that people have mentioned.

In my view, that is exactly why we need to hold a discussion specifically on the situation in Quebec. We get the impression that aspects related to the labour market, materials and contractors should be addressed specifically. If that's the case, that is what we'll have to do. That is one of the challenges with a plan that is designed for the whole country; these types of situations come up. In a number of regions, there is not enough work. But we see that there is a lot of room in the market, and, in some areas, there is a lot of work for contractors. That is exactly why we need flexibility, as Mr. Carlton said. This is a large country with a number of regions that have different circumstances.

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

[English]

Mr. Bevington.

**Mr. Dennis Bevington (Western Arctic, NDP):** Thank you, Mr. Chair.

I want to thank the witnesses for coming in today on this particular topic.

What I've found on this topic is that I really haven't been able to comprehend why the government has so far been so difficult to deal with on it. To my mind, it seems clear there was a partnership entered into between municipalities and provinces and the federal government, with the federal government having a very large stake in seeing that the stimulus funding was conducted in a fashion that could work and that the projects identified were not regular business, that these projects would be in addition to municipal capital programs that were already agreed upon.

The federal government, in order to create stimulus—and knowing, as you're saying, that infrastructure programs actually work very well for stimulus and that the results would be very strong—went into this and put the burden on the municipalities to completely deliver these in a certain timeframe. Well, I haven't seen a good reason why the federal government has now decided that they can't be flexible...they're moving on this issue.

It's my concern that... Just as the representative from the Saskatchewan association, Mr. Harvey, mentioned, there's some concern that we won't get the answer about the extension soon enough so that proper decision-making can take place. If we continue to delay this decision on the part of the federal government as to what is fair and what is proper about extending the deadline, we're going to run into extra costs for the municipalities on projects that they went into in good faith.

Do you see that as a particular issue here?

**Mr. Brock Carlton:** As I said in my comments, we're calling on the federal government to instruct the bureaucracy to get on with the practicalities of working case by case to find flexibility where it is fair and reasonable to do so. So sure, we're concerned about the timing. We want this thing to move on so that effective planning can be put in place to finish off the projects in a timeframe that is going to allow everything to succeed, that the jobs continue to be in the economy, and that the stimulus package plays out its full benefit in our country.

• (1150)

**Mr. Dennis Bevington:** As you know, many municipalities say they're going to finish up the jobs. Are they saying that now with confidence or are they saying it...? Do they fully understand what the end-date finish means for these projects? Or is simply that they've spent the money, that they have the materials on site? I've heard all of this as well, with municipalities saying that they've spent the money, and here's the material on site, so isn't that good enough for you by March 31?

**Mr. Brock Carlton:** Our members knew the rules of this game in terms of the end date and timelines the day it started, so they are working exceptionally hard to make sure they are within the timelines given under the terms and conditions of the original agreement.

**Mr. Dennis Bevington:** Do you want to add anything to this about the nature of the end-date completion of the projects and the extent to which municipalities anticipate it as meaning that the projects are completely finished or that they've spent the federal money?

**Mr. Dale Harvey:** I think municipalities are understanding that the projects be completely finished by the deadline. In our case, it's

going to be whenever the construction season ends. We really don't have six months. We have whatever the weather will allow us to do.

**Mr. Dennis Bevington:** So in many cases, you will understand by November or December exactly how many projects have not been completed in the construction period?

**Mr. Dale Harvey:** In our case, that'll be the fact.

**Mr. Dennis Bevington:** Does that follow right across the country?

**Mr. Brock Carlton:** I think it's fair to say that these folks are delivering projects with a great deal of intensity but also with a high degree of professionalism. They know the timeframes they're working towards and they know the planning cycles and the planning they need to follow through on to get things done on time. They're all well aware of the time constraints and what needs to be done to deliver.

**Mr. Dennis Bevington:** Last Friday I went to a ceremony held in Yellowknife for announcing money for a project to upgrade a commercial street. My thoughts on looking at that commercial street were that it was going to be very difficult to have it completely finished in that timeframe. The municipality indicates that it isn't going to be, but it may be that the scope of the project will change as they move along.

I'm concerned that in order to meet this timeframe municipalities are making choices here that may not be in their best interests. That's why I'd like to see the minister move ahead very quickly to establish the new timeframe so municipalities can make good choices. They went into this in good faith to provide a basis for economic stimulation in this country.

There are two partners in this: the federal government, which got what it wanted out of this, and the municipalities, which have to complete these projects and get what they want out of it. I'm really concerned that we're not giving them enough information right now about what the end date should be in order for them to make good decisions today about proceeding with their projects.

**Mr. Dale Harvey:** In our case, there's really nothing you can do. As was mentioned earlier, you can't do a bunch of overtime or anything. You're at the mercy of the weather. You're not going to get a contractor to come in and help another contractor for two weeks and try to finish up before things freeze up. It's a little different. Maybe if a municipality is doing a building construction project or that type of thing, you could maybe speed things up through the winter, but when you're working outside in Saskatchewan or the Northwest Territories....

• (1155)

**The Chair:** Mr. Trost.

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** Thank you, Mr. Chair.

I will try to time myself, but my watch isn't working, so I'm at the mercy of the chair.

Thank you to our guests for coming here today. I'm not as intimately familiar with the situation across the country as I am with the situation in Saskatchewan. I am an RM ratepayer; my folks have farmed, and so have my relatives and so forth. I'm more than aware of the way the weather situation was this spring, because when I was trying to do some landscaping on my acreage, it just wasn't going well.

Let me just say that from my personal observations—and I could be wrong—rural municipalities in Saskatchewan probably have the toughest time to get the infrastructure done. Correct me if I'm wrong on any of what I'm about to say, but they don't have full-time professional construction staff the way a larger city would. Most of the RMs are between 1,000 and 5,000 people, correct?

**Mr. Dale Harvey:** Yes, they're mostly contract work—

**Mr. Brad Trost:** Except for Corman Park, maybe, there are very few. You usually have one administrator for the RM, and you have people doing a bit of the gravel work, so you have to bid the contracts out.

The rainfall this summer was about three times what it normally would be. I was listening to one of my other colleagues talk about it being hard to get hold of contractors. Saskatoon has been going through a bit of a building boom, and in Saskatchewan, we're competing with the Fort McMurray projects. The University of Saskatchewan is building like crazy with federal grants and things of that nature and the oil patch in southern Saskatchewan is going great guns. Things are going along pretty good, and I see you nodding, so there's no disagreement.

If there's any place in the country where it should be tough to get a project done, it should be Saskatchewan, correct?

**Mr. Dale Harvey:** Right.

**Mr. Brad Trost:** Yet you guys are getting your projects done. On September 15, we had a meeting of Saskatchewan MPs and another representative of SARM. He was saying that you guys are getting the projects done to the point that there was only one they were really concerned about. How come you guys have done such a great, efficient job in getting things done when you've faced more adversity than just about anyone else in the country?

**Mr. Dale Harvey:** That's a good question. I guess we're just good.

**Voices:** Oh, oh!

**Mr. Brad Trost:** How did the administrators plan? Why were you, again, having basically the toughest situation...? You don't have your own staff, you're in a very competitive environment for workers, you had the worst weather in the country, essentially, and yet you were getting the projects done.

What has been the key to getting them done? What things can we do—maybe it's a little too late to help get the other projects done—that you guys have found for your success?

**Mr. Dale Harvey:** I think that in our case a lot of it is the type of infrastructure. Also, our municipalities have a working relationship with the contractors in the province and work very well with them. Those contractors will take on the work they can do for the season, because it is a limited season, and they will expand.... If they know they're bidding on projects in May and they know that they have this amount of work to do, they'll find the people and the equipment to

do that work. But they plan for the season, and when the season is a lot shorter than they expected, they just can't get it done.

**Mr. Brad Trost:** This is a more generalized question that I'll throw out to all the members of the panel. I represent some 33 or 34 municipal governments in my constituency. Two-thirds of my population is in Saskatoon. I have 16 or 17 RMs and roughly the same number of towns and most of them were doing infrastructure projects.

I've heard from a couple of them that are a little concerned, but appear to be getting it done. They're the most vocal. But I've also heard the fairness question from some of my other RM administrators and mayors: they've said that if they'd known that there was going to be an extension of six months or whatever, they would have put in for more projects. Some of them missed deadlines, because in Saskatchewan only a handful of engineers handle the small ones, so they were unable to compete.

How do I deal with the fairness question from RMs—towns and small cities—who say, "Look, if we'd known there was going to be more flexibility and an extension, we would have put in for more projects?" They say they would have gotten the projects these guys can't finish and could have gotten them done in the same time. How do I go back to them and say that we've moved the rules a little bit?

I know that you guys are just asking for some fairly reasonable flexibility. How does one deal with the fairness question in dealing with municipal governments with those questions?

● (1200)

**Mr. Brock Carlton:** We've had that discussion with our board of directors and with some of our members, and the feeling is very strong that we have not been calling for a blanket extension. We have been calling for fairness and reasonableness where required.

We believe—and our members have told us—that if some guys down the road are struggling on some issues that are beyond their control, fairness and reasonableness in giving them the chance to finish a project is a reasonable thing to do.

If in my municipality I have the good fortune of not having some of those constraints and I'm finished, well, then, good on us for having that opportunity to make sure the projects we put forward will be completed and the jobs will be there to the fullest extent that the stimulus package anticipated.

**Mr. Brad Trost:** Are there any comments from the other gentlemen?

**Mr. Gabriel Miller:** I think it's a good question.

Frankly, a question we hear more frequently from municipalities on the issue of fairness is the fairness of a system in which they propose stimulus projects and the federal and provincial governments choose and then tell them which projects are going to be eligible for funding. I think there's a fairness question about the way priorities are set.

I would say that you're right: the issue of the fairness of an extension was raised both before and during the stimulus program. A far more common concern about fairness is how municipalities are part of the priority-setting process and how decisions on what projects are funded are explained to municipalities.

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

Mr. Dhaliwal.

**Mr. Sukh Dhaliwal:** Thanks, Chair.

My question again goes to Mr. Carlton. This economic plan update that we see in Parliament says that one third of the projects will not be done in this calendar year.

I listened to our friend from Saskatchewan. There are going to be weather conditions between January and March. Bad weather is going to affect us everywhere, including in British Columbia.

Based on your knowledge, you are saying that 97% of the projects will be completed. To me, those numbers don't work. Based on your knowledge, not based on the government political statement, if we take that one third of the projects that will not be completed by December, can you tell me that they will be completed by the March deadline?

**Mr. Gabriel Miller:** Frankly, one of the difficult things in talking about the stimulus plan is the different ways in which progress is measured. I'm not exactly sure of the source of that particular figure, but I can tell you one thing that is important to know, which is that many of the projects were never scheduled to be finished in this calendar year. They were always scheduled to be finished sometime early in the new year.

It is true that there is some substantial infrastructure work you can't do in much of the country when there is snow on the ground, but you could be looking at recreational facilities, where you're doing work inside. You could be looking at British Columbia, where you have a much longer construction season. So there always were projects that were scheduled to finish sometime in the new year, and those end dates were part of the initial proposal for doing those projects.

From our point of view, the question that is important to ask our members is whether the projects they are on the hook to finish are on track now. For the most part, the answer has been yes, in most parts of the country. There are definitely parts of the country where projects are not on track and where we need flexibility right away. Also, frankly, there are other projects that are probably barely on track and people are having to work very hard to keep them there. If things go wrong in the next few months, they'll be in trouble.

That is what we're hearing from our members.

• (1205)

**Mr. Sukh Dhaliwal:** Again, Mr. Chair, can I follow up?

Thank you, Mr. Miller.

The question is this, then. Right now, the government has made a political statement, the "fair and reasonable" statement, that they will consider those projects. But at the same time, because of unavoidable circumstances, there is a sword hanging over the neck of the municipalities. How soon would you like to see the government make a firm decision about this fair and reasonable political statement they have made?

**Mr. Brock Carlton:** That's why I said in my comments that we think the government should immediately move to that and that the

government should instruct the bureaucracy to start the practical application of that political position.

**Mr. Sukh Dhaliwal:** Is that the most important decision you would like to see the government make on the stimulus funding right now?

**Mr. Brock Carlton:** I'm just mulling over "the most important". It's certainly important; I think it probably is the most important decision. The statement has been made at a political level: action it. Then, as I said before, our ultimate concern is what happens beyond stimulus.

**Mr. Sukh Dhaliwal:** Delaying this decision that you want made right now on the policy to be put in place or the action to be taken now—that uncertainty—is also creating undue pressure on municipalities. Is it creating pressure in a dollar sense as well?

**Mr. Brock Carlton:** It would be speculation if I were to say yes to the question about the dollar sense. It certainly is keeping pressure on municipalities. That would be energy better spent if the announcements were made and the energy were going into the planning for the rolling out of the ending phase of the stimulus program.

**Mr. Sukh Dhaliwal:** One of the statements you made was a great statement: you want to see the vision after the stimulus funding is over. Even when the decision for the stimulus funding was made, it was made on projects that were shovel-ready. Basically, the municipalities were going to go ahead with those projects anyways, right? But when we look at this comment on making that decision, on spending \$50 billion, the whole of the money was spent without any vision or legacy...?

**Mr. Brock Carlton:** I'm sorry. What was the last part of your question? Without...?

**Mr. Sukh Dhaliwal:** The \$50 billion that the government spent did not have any vision or legacy.

**Mr. Brock Carlton:** A vision or legacy...?

Okay. There are a couple of points. One is that earlier in your commentary you were asking about the projects that have come forward. These projects had been planned, so they were brought forward in time to be done in the immediate urgency of the situation. A lot of the work was focused on rehabilitation of existing infrastructure.

To your question about vision and legacy, we have to remember that the intention of this program was urgent job creation. So yes, in terms of the broad vision of where we're going in infrastructure in this country, that wasn't the intention of this program.

Is it needed? Absolutely it is. That's why we're saying that we really need to get to the conversation about what the long-term plan is for infrastructure in this country, so that the infrastructure can be sustained in a way that will allow us to develop a new and competitive economy in our country.

**The Chair:** Thank you.

Monsieur Gaudet.

[Translation]

**Mr. Roger Gaudet (Montcalm, BQ):** Thank you, Mr. Chair.

I would like to go back to what my friend Brad opposite was saying. He said that, in his municipality, bigger projects could have been accomplished. The money was actually given to each province separately; in other words, Quebec had one amount, Saskatchewan had another and Ontario had another. I would simply like to point out that, even if you had more time, you would not have had more money to carry out more projects.

I would like to talk about the difference between Quebec and Ontario. Ontario is currently getting ready for elections. Since the deadline for the projects is December 31, most projects will be finished in November or very soon. In Quebec, elections took place in 2009. The government program was announced in the budget of March 2009. You must know what a municipal election year looks like; not much spending goes on. Until the November 2009 elections in Quebec, all projects were put on hold since, if a new government does not want to have anything to do with a project, that's the end of that project.

The Quebec municipal elections of November 2009 have contributed to the lack of materials since the projects started after the others. For all these reasons, the deadline should be pushed back six or seven months. As you know, municipal elections are different from provincial and federal elections. During elections, the federal government is able to dole out stuff whereas the municipal level has to be very careful.

In Ontario, the projects are complete. The elections are coming up. We see the little signs on the side of the road when we go home. In Ontario, it was possible to finish the projects whereas Quebec was not able to do the same because of the elections.

What do you think about that?

• (1210)

**Mr. Brock Carlton:** The local elections certainly played a role, but we must also take into account that municipal officials have their own plans for infrastructure, for...

**Mr. Roger Gaudet:** The officials are not the leaders; the people elected in the municipality are the leaders.

**Mr. Brock Carlton:** I know, I know...

**Mr. Roger Gaudet:** The officials have nice projects in mind. It's just like in Ottawa, in Quebec City and in all the other provinces: the officials have the ideas, but the governments make the decisions.

**Mr. Brock Carlton:** I know, but the only reason I mentioned it is to clarify that we were not given carte blanche. Plans were in place. The elected members made the decisions, but they did so based on a list of projects prepared by officials.

So it is a factor in the provinces, but it is just one among many.

**Mr. Roger Gaudet:** In Quebec, given that we started the projects late, we were lacking materials, such as pipes and so on. The contractors did not want to wait and some of them more than likely went to work in Ontario or somewhere else which resulted in a shortage in Quebec.

It's not that it is a bad program. It is a very good program and I fully support it; I really hope it will be renewed. But other provinces will soon go through elections. I would like the government to take action and make things fair. In other provinces, elections have

already been delayed because of floods somewhere in the country. As well, in the event of death, elections can be pushed back a month.

In my opinion, the idea to push back the deadline a few months is quite valid.

[English]

**The Chair:** Mr. Mayes.

**Mr. Colin Mayes (Okanagan—Shuswap, CPC):** Mr. Carlton and Mr. Miller, I just want to say as a former mayor that I have appreciated the work of the FCM in representing municipalities on the national stage.

One of the things that the FCM did in the past was to secure certainty and funding for capital works for municipalities through the gas tax funding. That certainly has helped municipalities to plan. Of course, our government has accelerated that funding, and we've also extended the life of that funding, which, I think, is something that we're missing.

The stimulus funding was a one-time, very unique funding to address economic concerns, not just capital infrastructure concerns. The uniqueness of it is that our former minister, John Baird, made sure that the application forms were streamlined so they would move out quickly. He guaranteed payments within 30 days of receiving invoices from municipalities. I think our minister did a great job in speeding things up.

So I'd like to ask you a question on the gas tax funding. That comes into play, so that is something that's ongoing. When you talk about the next steps, that should be included in your next steps. How do you feel about that?

My other question is on the application forms. Did they work well? Were they clear enough? Have you had good feedback from your membership as far as the application forms are concerned?

Finally, have you heard any problems with the payments not being in a timely fashion?

• (1215)

**Mr. Brock Carlton:** On the gas tax question, there is no question that the gas tax is a cornerstone to the ongoing support for municipalities and municipal infrastructure into the future—absolutely. We would like to underline this and to certainly acknowledge the governments, past and present, for initiating the gas tax and extending it and making it permanent. It was extremely important.

However, one thing that is important is that, over the long term, the gas tax is not tied to economic growth; it will diminish in value over time. The second is that the gas tax alone is not sufficient, in our view, to support the long-term infrastructure needs of the country. While it is an important part, it can't be the sole part of the long-term plan.

The second question you asked was with respect to application forms. There is no doubt that this program and the administrative elements of this program have been streamlined in ways that are very significant for our members. With Minister Baird, and now with Minister Strahl, we've had a discussion about doing a bit of a "lessons learned" to analyze how this model can be adapted so that it becomes the model, in some form, for future programming.

We have thanked Minister Baird many times for his work in streamlining that administrative process. We thank the bureaucrats as well for their work in making the application process much more effective and the payments more effective.

Where we have heard—and it's not frequent—about issues of delays in payments, we don't know whether it's a provincial or a federal issue. It's a complicated process, but certainly in comparison to the traditional cost-shared program, this is groundbreaking in some of its elements, which we look forward to having in future programs.

**Mr. Colin Mayes:** Thank you. That's a good report for our government.

The issue of elections was brought up by Mr. Gaudet. We did have a municipal election in Saskatchewan during the time of this stimulus funding and the projects. As well, in the province of British Columbia, there was a provincial election. It was quite interesting, because we were under a lot of pressure to roll out the funding prior to the provincial election. We were very successful in doing that, working with our municipalities. Then, after the election, it took a while before we had the second wave.

Still, I have not heard of any challenges from any of the municipalities within my constituency. I'm just wondering if you've heard from any other regions about the issue of provincial or municipal elections affecting the timeliness of their getting the projects done.

**Mr. Brock Carlton:** No. We do know that things were slow off the mark in B.C. because of the provincial election.

There is a letter, I believe, coming to the committee from the Union of British Columbia Municipalities, saying that things are on track, things are in good shape. But no, we haven't heard of this issue, an election-related delay, in other parts of the country.

**The Chair:** Go ahead, Mr. Dhaliwal.

**Mr. Sukh Dhaliwal:** Thank you, Mr. Chair.

Mr. Chair, when we look at the number of cents out of a dollar in taxes going to municipalities, we see that it's about 8¢ or 9¢, compared to 45¢ each to the provincial and federal governments. What we see in our cities is that our water, sewers, roads, and infrastructure are deteriorating, right? It's a big deficit. What type of future vision and plan do you foresee to meet those challenges that municipalities will face?

**Mr. Gabriel Miller:** What we know—and probably everyone around this table knows—about infrastructure is that it's a never-ending job. You build it, you have to maintain it, you have to repair it, and someday you have to replace it. As a country, we're only starting—and only have just started in the last few years—to realize that governments need to start planning their investments in that way. For a very long time, the federal government's involvement in

infrastructure was of a much shorter term than was required. The gas tax, introduced by a previous government and made permanent by this one, is your foundation, then, for ongoing investments.

Now it's time to bring cost-shared programs into that vision, put them on a long-term basis, and bring the three orders of government together to have a much fuller discussion about the types of investments that should be the priority for those cost-shared investments. Right now, we still labour in a system in which a municipality throws a bunch of applications to the government, and then the government looks at them and chooses something. We need a much more strategic approach to the way we select the projects that governments try to undertake together. We need to set some objectives and measure our progress.

A very good example is public transit. There have been substantial investments in public transit, but what sorts of reductions are we trying to make in terms of commute times? What are we trying to accomplish in terms of traffic gridlock? There are very few national goals tied to our infrastructure investments. This is the discussion that we feel needs to be had, and it's extremely important that discussions start now.

Here's the reason: three years from now, the cost-shared federal infrastructure programs that exist under the Building Canada fund will expire. We know there's not going to be a lot of new money. If we spend the next couple of years planning how we can learn the lessons of the projects we've just built and the programs we've just used, and designing the next generation of programs, then as we come out of the deficit, we'll be ready to start making those investments.

If we don't have that conversation now, we won't start planning those new programs until 2013 or 2014 or 2015; our experience with infrastructure programs is that it's a further three or four years before any money gets spent, because you have a year of building a budget commitment, a year of doing funding negotiations with provinces, and a year of choosing projects before you're finally into building things.

For us, starting that conversation around those long-term principles now is essential, because otherwise three or four years of tight budgets could turn into a decade of no investment and no plan for our infrastructure.

• (1220)

**Mr. Sukh Dhaliwal:** Basically, you're telling us that because the Building Canada fund will expire by 2014, if we do not make that decision and do not have a plan in place, then the municipalities—and, indirectly, the taxpayers—will feel undue pressure on them?

**Mr. Gabriel Miller:** Let's be clear: the next couple of years won't be easy either. Most of the Building Canada funding has been allocated. The main source of funding from the federal government will be the federal gas tax, and there will be a few tough years. Municipalities themselves had to find their one-third funding for infrastructure stimulus projects, so they have tight budgets too. It's one thing to say we're going to get through two or three tight years with the knowledge that we'll be ready to resume a long-term plan after that—that's a challenge I think the municipal sector is up for—but if it is an indefinite uncertainty as to when we'll resume our work on infrastructure, that's a much bigger problem.

So, yes, your description is absolutely right: there's a looming end to the programs in place, and we need to be ready to replace them when the budget outlook improves.

**The Chair:** Thank you.

Ms. Brown.

**Ms. Lois Brown (Newmarket—Aurora, CPC):** I'll be sharing my time with my colleague.

**The Chair:** You have five minutes.

**Ms. Lois Brown:** Thank you very much.

Mr. Miller, I'm really glad you touched on that. I think that's one of the most important aspects of everything we've been talking about here: for the first time in Canadian history, we've seen a government that has put in place a long-term economic plan for our country.

What we saw was Advantage Canada, which was laid out in 2006. That included this whole aspect of building Canada and the fund that was put forward. It was something that was longer than a four-year fund. We were looking down the road. We're at that point again, where you're saying that we need to do that.

I've had the great privilege of being able to be at a number of announcements, both in the GTA and York Region, that have been funding announcements or ribbon cuttings for many of the infrastructure projects, be they recreational, affordable housing, or waste water projects. Also, there have been knowledge infrastructure programs. All of these are part of where we need to go.

But over and over, I've heard from people that the best thing to come out of this is the cooperation, the working in tandem of three levels of government, so that regardless of our political stripe—because although it's a Conservative government in Ottawa, we are dealing with political stripes across this country—we've managed to get the job done.

Do you think we are on the brink of a new era of cooperation amongst various levels of government? Personally, I think that's the best message for taxpayers. There's only one taxpayer, so they want to see cooperation. Do you think this can continue?

• (1225)

**Mr. Brock Carlton:** We think the context we've been through in the last two years has demonstrated very clearly that to tackle national priorities the three orders of government must work together. If they do work together, it can be very efficient and effective.

Let's identify the key national priorities—obviously infrastructure is one of those—and let's mobilize the resources and the cooperative element of three orders of government to address these issues over the long term.

**Ms. Lois Brown:** Thank you.

Mr. McColeman.

**Mr. Phil McColeman (Brant, CPC):** I'd like to thank you for being here.

As a former contractor for 22 years, I come at it from a different angle. I'd like to talk briefly about your views on the management of projects. Often when these are conceived and scoped, a well-written

proposal will include contingencies. It will include contingencies for financial and time constraints, for overtime, for whatever, and it will also account for unforeseen conditions. In the case of municipalities, I'm sure there's also an element of the politics and dynamics that will happen around city hall in terms of what turf is whose.

Having seen that, and having been part of that process as a private entrepreneur, I'm wondering what your views are on projects: the difference between how they've been managed from municipality to municipality and what you've seen and heard in terms of how well they've done from a project management view.

When you're looking at 20,000 projects with a 97% success rate, anyone would view that as a huge win for the country, in my view. But you're going to have all different types of situations because of both the good and the bad management of a project.

My question drives at two fronts. Number one, are you aware of projects that are under budget, ahead of schedule, or both? Number two, are you aware of projects that were totally mismanaged, or they are poorly managed and thus creating problems in getting to the completion date?

**Mr. Dale Harvey:** In our case, I am definitely not aware of any projects that were totally mismanaged. And some projects would be ahead of schedule. I can't pinpoint any projects specifically, but some have been done for quite a while. As far as being under budget goes, to my knowledge they were all contracted, so they would have a contract price. If the contractor spent less than what he thought he would, it's to his benefit, but it wouldn't necessarily be a benefit to the municipality.

**Mr. Phil McColeman:** Could I cite an example? Hopefully, time permits.

In my community there were some six projects, two of which were under budget. They put proposals forward for \$22 million, with the project coming in at \$18 million. It's ahead of schedule as well. It was the same with the roads project. One was a twin-pad arena. The second one was a roads project that came in at \$1 million under what they had applied for in terms of infrastructure funding.

There are examples out there. I'm just wondering if you're hearing about those from your members.

**Mr. Brock Carlton:** There are examples of those cost savings across the country. We don't operate on a project-by-project basis at FCM, so we don't get into that level of detail, but we know of situations where there have been savings.

**Mr. Gabriel Miller:** Through our discussions with Infrastructure Canada, we know—and I think the department deserves credit for this—that they certainly did see projects coming in below budget. They were very determined to use that, to pick up those savings and invest them in additional stimulus projects, and in as quickly a manner as possible. I think that's in keeping with the spirit of the stimulus plan, which is to create as many jobs as you can in as short a period as you can.

I think it's also important to note that one of the benefits of a true stimulus plan is that prices should be down because there is less work coming from the private sector, so it's a good time for governments to get work done if they can find the money, because of course there should be overall savings. Certainly what we heard, especially in the first six months to a year after the program began, was that we were seeing very competitive bids. The sense was that people were hungry for the work.

As we've gone through this, I think that's been less true because the economy has picked up. Certainly, in some areas, private sector construction has also increased, so there has been more demand.

But yes, there are a lot of examples from Infrastructure Canada of projects coming in below budget.

• (1230)

**The Chair:** Thank you.

As we have done in the past, everybody has had a chance, but we will go to one final round of questions if anybody wants to take them.

Mr. Dhaliwal? One more round.

**Mr. Sukh Dhaliwal:** Okay, one more round. Thank you. I might as well take advantage of the situation.

I have heard a lot about this gas tax model. It was brought in by the Liberal government and then made permanent by the present government, so something must be right with that model if this government took it over from the previous one. Also, when I talk to the municipalities, they tell me that they like this kind of model because they think this is a very fair model to deal with the situation.

On the other hand, on the stimulus funding, it was project-by-project funding, and a lot of people were complaining that the money was flowing into the government-held ridings and whatnot. Would you comment? This is over now. If something in the future comes up, would you like to see a model that would work fairly for all municipalities irrespective of whether they're held by one party or another?

**Mr. Brock Carlton:** Yes, of course we would. I'm certainly not going to comment on the selection and distribution in the country. It wasn't part of the municipal role to be involved in that in any way whatsoever. Certainly, the expectation is that programs are accessible to all municipalities across the country in a fair and equitable way.

The advantage of the gas tax is that it provides a foreseeable revenue source that can be planned with and banked on so that municipalities can use it to borrow other money or do whatever they need to do, whereas on a project-based program you have to apply, and there are all the upfront costs and the uncertainties, etc. So there are certain advantages to the gas tax.

Yes, any programming needs to be accessible in a fair and equitable way across the country.

**Mr. Sukh Dhaliwal:** Go ahead, Mr. Harvey.

**Mr. Dale Harvey:** I'd just like to add one thing. We like the concept of spreading the money around, but we'd also like our leaders, both provincial and federal, to recognize the special needs of rural Canada.

A lot of times with these programs, the rural municipalities, not only in Saskatchewan but in other areas of the country as well, fall through the cracks. Some of the money is dedicated to things—specifically water and sewer—and that's very important, because we need that. But for some of the things that support industry and the resource sector and all of that, the money isn't there to support them. We come second in line.

Anyway, the gas tax is based on population, so we're not the biggest winners in that program. But we appreciate what we get, that's for sure.

**The Chair:** I have to move on to Monsieur Guimond.

[Translation]

**Mr. Michel Guimond:** I will be quick. And then I will turn over the rest of my time to my colleague Mr. Gaudet.

Mr. Miller, in the examples I gave earlier to explain why some projects will not be completed on time in Quebec, I mentioned the shortage of pipes and contractors.

Have you heard of anything else? With the tendering process made public by the municipalities, we realized that, due to the shortage of contractors since everyone is working and there are few bids, the contract amounts, in terms of supply and demand, are somewhat exaggerated.

For example, in one of the municipalities in my riding, Saint-Pierre-de-l'Île-d'Orléans, an infrastructure project was accepted. They were going to redo the recreation building. Various officials from both the Quebec and the federal government assessed the project. The project was estimated at roughly \$800,000. The lowest bid was \$1,400,000.

So the amounts that were granted... We are talking about a small municipality with less than 5,000 people and without really having the means. Have you heard about something like that?

• (1235)

**Mr. Gabriel Miller:** Yes, I have already heard about something like that. We have to study this particular challenge. I believe there are a number of reasons. Perhaps there is a shortage of contractors and companies. In some cases, there is just a lot of work. But there are also very small communities or rural areas where there is only one contractor or one company and there is no one else to do the work when that person or that company is busy.

We have to use our judgment in each case because we know that, when a deadline approaches, costs always tend to go up. However, there are also situations like yours where it's just too much.

In Quebec and elsewhere, I think the government has to tell its officials that, if a municipality can finish the work before March 31 but it will cost a whole lot more, they have to use their judgment and show some flexibility.

It is difficult to find one simple rule that applies to all cases. I understand there is a need and that, at the same time, we want to get the work done as quickly as possible. So, when there are unusual cost overruns, we need to show flexibility.

[English]

**The Chair:** Very quickly, Mr. Gaudet

[Translation]

**Mr. Roger Gaudet:** I just want to tell my friend Colin that the preparations for the 2010 Vancouver Olympic Games started two years in advance. So they were ready for all the programs.

Thank you, Mr. Chair.

[English]

**The Chair:** I'm not sure that was a question, but we'll let it go.

[Translation]

**Mr. Roger Gaudet:** No.

[English]

**The Chair:** Mr. Bevington.

**Mr. Dennis Bevington:** My first question would be, now that we've gone through this stimulus program exercise, would you say that this is in any way a preferred method of funding municipal projects, and that municipalities would normally conduct their business in this fashion, as we've seen with the stimulus funding? Would you recommend that this type of funding be applied on a regular basis? Or is this simply a one-off that has been conducted and we very clearly need to move on now to more predictable, more plan-oriented funding for municipal infrastructure?

• (1240)

**Mr. Brock Carlton:** Certainly there's a need for long-term and planned funding for infrastructure. There's no question about that. As we said earlier, the idea of having a period of time to plan and develop the longer-term vision would then, we would think, set the framework for following up with the kind of long-term, planned, predictable funding to support infrastructure development.

With respect to the stimulus program, the administrative elements that I was talking about earlier are elements that we think become part of a new way of working as we go forward. We know that in a context of long-term, predictable funding, there will be programs that are cost-shared one-third, one-third, one-third. In the stimulus package, the idea that municipalities have a critical role to play in national objectives and the administrative elements of effective application, with quick turnaround time on payments—those elements are fundamental to an effective cost-sharing program in the future.

**Mr. Dennis Bevington:** But those are not the ones we're debating here. We're debating the deadline for infrastructure funding—

**Mr. Brock Carlton:** Oh. Sorry.

**Mr. Dennis Bevington:** —where you have municipalities caught in a situation where they have to bid first for projects that have to end on a certain date, taking projects that are outside their normal infrastructure, capital planning process, add them in....

Would you say that for municipal planning, that was really a good thing? Or was it just simply a one-off and we're going to now move back to more sensible planning?

**Mr. Brock Carlton:** It was a way of responding to a crisis.

**Mr. Dennis Bevington:** That's what we're after.

**Mr. Brock Carlton:** Everyone understood that the urgency was important. The deadline was important. All of that was part of the context that we were responding to. If in the future we're operating in a context that is not a crisis context, then no, we wouldn't see that as the ideal. But all the other elements of it are really the features that are important in it going forward.

**Mr. Dennis Bevington:** But other than a national economic crisis, how would you perceive that a program like this would ever fit into a municipality's planning process and its capital process?

The point I'm getting to is that what you engaged in was a process where the main beneficiary was the national economy, not particularly the municipalities. They may have gained by putting programs forward, but the main beneficiary was the national economy. When municipalities get caught up on particular details—a deadline, for instance—we need to have this flexibility: municipalities went out of their way to work on the national priority.

**Mr. Brock Carlton:** To me, the main beneficiary was our country. Municipalities were part of the work and part of the benefits of that, for sure.

**Mr. Dennis Bevington:** Yes.

**The Chair:** Mr. Jean.

**Mr. Brian Jean:** Thank you, Mr. Chair.

If there is more time, Mr. McColeman has one more question, I understand.

Mr. Chair, I do want to clarify what Mr. Dhaliwal said. Of course it was James Moore in opposition who nagged and nagged the Liberal government to implement the gas tax funding for municipalities, and now of course he is the heritage minister. The record speaks for itself on that.

To our witnesses today, thank you very much for coming.

I understand that in essence today we are debating a hypothetical. We don't know what is going to be finished on time. We don't know what's not going to be finished on time. We are collecting information on it, of course. Infrastructure Canada has told us that. But in essence we're dealing with hypotheticals. We have more than six months to go in a program that really was a two-year stimulus fund.

Dealing specifically with your three points, I understand that what you're not asking for is a blanket extension. Just going through your three points, you're saying show flexibility for communities who have played by the rules and worked hard, work with the communities to adjust schedules on specific projects, and work with the provinces in the same regard.

I see a nod to the affirmative. So that's correct.

Now, my understanding, in speaking with Infrastructure Canada, is that this is exactly what they are doing. They're trying to be fair and reasonable with those people who have played by the rules and have tried hard. If that's not the case, I would invite you and ask you to come back to the committee and tell us that, giving specific cases with specific information, because our information here today is that they are working to be fair and reasonable, along the exact lines that you've suggested.

Finally, I do have a question on this. You say that infrastructure spending is two times more effective at creating jobs. Now, any economist, I think, or at least the ones who taught me, will tell you that this is true—in the short term, hence “stimulus” fund.

Is it fair to say—I see your head nodding again, Mr. Miller—that in the long term it's just not sustainable, that in fact tax cuts over the long term will provide more jobs because that stimulates the economy? It gets rid of the freeloaders, where people don't pay taxes and have a false economy, which happens in many, for instance, developing countries?

• (1245)

So it's fair to say that, short term, as the government has done, we're trying to create jobs, and it's two times more effective, but over the long term it's not sustainable. Is that fair to say? Because of course you will run out of tax money after a period of time.

**Mr. Gabriel Miller:** I would say that a dollar spent on infrastructure at any time will typically outperform a dollar in tax cuts in terms of job creation, simply because infrastructure spending almost overwhelmingly stays in the domestic economy. There's very little leakage outside. Most of the labour and most of the materials are local, whereas a tax cut could often go to buying things that are consumer goods from outside the country.

But on the benefits of infrastructure as an economic stimulus, that's definitely a short-term argument. The point about investing in infrastructure—and I think it's very important for us to make this clear—is that it's not a job strategy for the next 10, 15, or 20 years. Infrastructure is the backbone of an economy that can create jobs, and that economy obviously needs a competitive tax system, good businesses, innovation, and well-trained workers.

Looking at that aspect of infrastructure, we see that very much as part of the short-term context. You're right. For the long term, we think there's a very strong economic argument for having good infrastructure. It's not so much about how many jobs the project is going to create as it is about how it's going to create a community that's economically competitive.

**Mr. Brian Jean:** Absolutely.

My final question is this: in your analysis of that, did you take into consideration what the cost of government is? Because of course when you cut taxes, that money just doesn't come to government. It doesn't have any filter that costs 20% or 25% of the money itself to implement any kind of strategy. In fact, it goes straight to the people who actually spend the money, and hence they get a better return on investment for themselves.

Did your analysis on the number of jobs created actually look at that and say that when you have a dollar that goes to the government, the government takes a cut to implement any kind of strategy, whereas if you cut the dollar in the taxes, people get to decide what they want to spend it on? Did you look at that analysis as far as job creation goes?

**Mr. Gabriel Miller:** I'd have to talk to our economist who did it.

I would say two things. One, you've probably got us on that one. That kind of administrative transactional cost probably isn't captured. I'd be surprised if that would make up the kind of difference we're talking about, but it's a good point.

Certainly, we're not here to make the case that if all we did was take all those tax cuts and pour them into infrastructure, everything would be fine. It's a balance. We think that wherever you're investing your dollars, however much you invest in infrastructure, you want to get the greatest bang for your buck and make the most of it.

**The Chair:** I'm sorry, but I have to stop it there. We're over time.

With that, I'm going to thank our guests for being here today and for their presentations. I will ask members to stay at their chairs for one minute, but thank you again, gentlemen, and thank you to your organizations for being here.

In committee business, very briefly, because people either haven't responded or haven't notified us yet, on Thursday we will start again with infrastructure for the first hour, and the second hour will be on Bill C-509. For the 26th, we're waiting to hear from the infrastructure people. No one has confirmed on that date yet.

I'm suggesting that we move to Bill C-20 based on the discussions we had this morning. That will be coming out on your agenda. If you have any questions or concerns, please contact my office.

Are there any other comments?

The meeting is adjourned.

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