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**EVIDENCE**

## Thursday, May 7, 2015

## Chair

**Mr. Larry Miller**

# Standing Committee on Transport, Infrastructure and Communities

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● (1530)

[*English*]

**The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)):** I will call the meeting to order. We are starting three minutes early as everybody is here, so we will finish three minutes early.

I would like to welcome and thank all of our witnesses for being here today. Presentation time for each of you is 10 minutes or less. We have a number of you here, so try to keep it to that.

With that, we are going to start with Mr. McBride from PPP Canada Inc.

Thank you for being here.

**Mr. John McBride (Chief Executive Officer, PPP Canada Inc.):** Thank you, Mr. Chair.

It is my pleasure to be here today on behalf of PPP Canada to speak about P3s and the Canadian market.

As members of Parliament, you are acutely aware that Canada faces a great need for infrastructure. As a consequence, governments across Canada are pursuing ways of getting better results for their infrastructure dollars. Many have recognized the value of engaging private sector expertise and innovation through public–private partnerships, more commonly known as P3s. P3s are a means to inject greater accountability, whole life-cycle cost optimization, and financial discipline into governments' contractual relationships with the private sector.

P3s can refer to an umbrella of concepts related to the role of the private sector in procuring public infrastructure. In Ontario, these types of arrangements are known as AFP, or alternative financing and procurement. In the United Kingdom they are known as PFI, or private finance initiatives.

PPP Canada defines P3s as a long-term, performance-based approach for procuring public infrastructure where the private sector assumes a major share of the responsibility in terms of risk and financing for the delivery and the performance of the infrastructure, from design and planning to long-term maintenance.

[*Translation*]

In practice, this means that governments only pay for the infrastructure once it has been completely built. A substantial portion is paid for during its life cycle, if it is well maintained and if its performance is adequate. The costs are known in advance for the entire life cycle of the asset in question. This means that taxpayers are not financially responsible for cost overruns, delays or performance issues during the life cycle of the infrastructure.

Imagine for instance that the business that built your house were also responsible for all of the repairs and maintenance for the duration of your mortgage loan of 25 years. Since the amount you would pay each month would be determined before the construction of your house, your payments would not increase if there were some breakdown or some components in your house had to be replaced. For that reason, the builder would consider the most financially effective way of building something. He might choose a metal roof rather than tile. Moreover, if your air conditioner broke down and was not repaired in the agreed upon time frame, you could deduct that from the next payment you owed him.

Concretely, P3s do not mean privatization; they are, rather, a contractual relation with the private sector in order to design, build, fund and maintain public infrastructure. The public sector continues to own the infrastructure.

[*English*]

P3s, quite simply, are a tool in the tool box to deliver the public infrastructure investments Canadians need. They are not always the right solution, but when applied to the right projects, they can provide many benefits, including greater value for money for taxpayers, on-budget and on-time delivery of public infrastructure, greater consideration of the whole life cycle of a project, and fiscal planning certainty. The involvement of private sector finance is critical to achieving the benefits as it ensures risks are transferred, and the disciplines and incentives to achieve better results exist.

There are benefits and there are costs to P3s, but P3s are the right solution when the benefits exceed the costs. This requires thorough analysis. Our experience is that this up-front work produces better projects even if a P3 approach is not the preferred option, as it requires a more systematic consideration of costs, risks, and performance expectations. In general, P3s are more suitable for larger, more complex projects where performance expectations can be clearly specified and are stable over time.

Canada is recognized as a global leader in P3s. Increasingly, people everywhere are looking to the Canadian experience. It has a diverse and growing pipeline. The strong historical deal flowing from leading provinces in the areas of health care, education, and highways is now being supplemented with projects at the federal and municipal levels.

The use of P3s is also broadening to new asset classes, such as water and waste water treatment facilities, local roads and bridges, public transit, and solid waste disposal. This growing and diverse pipeline is increasing in experience and is attracting more competition, which results in lower costs for taxpayers.

[*Translation*]

PPP Canada's mandate is to improve the delivery of public infrastructure while increasing the rapidity of execution, strengthening accountability and obtaining more for taxpayers' money. PPP Canada is committed to working with all levels of government to ensure the best value added for Canadian dollars invested into infrastructure. Our organization is knowledge-based; we have developed tools and equipment to support our work and the work of our clients.

The organisation has established relationships with the procurement authorities at all levels of government so as to share lessons learned and experience.

PPP Canada is looking for opportunities to increase knowledge and capacity while working to mold the P3 Canadian market by promoting a culture that encourages P3s and the sharing of best practices.

● (1535)

[*English*]

PPP Canada has hands-on experience reviewing and providing advice on more than 300 projects for the P3 Canada fund, the federal P3 screen, and the new building Canada fund P3 screen. We work with our clients to assess projects for P3 suitability and advise on P3 procurement practices to assist in delivering quality public infrastructure assets on time and on budget that meet the needs of Canadians and deliver better value for tax dollars.

To date, over $1.3 billion in P3 Canada fund investments have been announced to support more than 20 P3 projects across eight provinces and territories, including 13 municipalities. These investments will in turn leverage more than $6.5 billion in public infrastructure investments across the country.

In addition, economic action plan 2015 proposed the creation of a new public transit fund to be managed by PPP Canada. While the government intends to announce further details on the program parameters at a later date, we do know that the fund would provide $750 million over two years, starting in 2017-18, and $1 billion per year ongoing thereafter to public transit projects. Federal support would be allocated based on merit to projects that would be delivered through alternative financing and funding mechanisms involving the private sector that demonstrate value for money.

PPP Canada's experience is also facilitating the consideration of P3 procurements at the federal level. Our most established federal advisory engagement to date is the new bridge for the St. Lawrence project.

Throughout 2014, PPP Canada played an important advisory role, collaborating with Infrastructure Canada and Public Works and Government Services to ensure the successful procurement of the government's largest infrastructure project.

As the Government of Canada's source of P3 expertise, we'll continue to lead federal efforts in encouraging use of P3s where they can generate better value for money.

Thank you. I look forward to your questions.

**The Chair:** Thank you very much, Mr. McBride.

We will now move to the Canadian Urban Transit Association. Mr. Leclerc and Mr. Maheu, you have 10 minutes or less, please.

[*Translation*]

**Mr. Patrick Leclerc (Vice-President, Strategic Development, Canadian Urban Transit Association):** Mr. Chair, members of the committee, first I want to thank you for the invitation to appear today before the Standing Committee on Transport, Infrastructure and Communities.

We are very pleased to have this opportunity to express our views in the context of your study on updating infrastructure in Canada.

[*English*]

The Canadian Urban Transit Association is the collective and influential voice of public transportation in Canada, dedicated to being at the centre of urban mobility issues with all orders of government. We represent that vast majority of Canada's urban transit systems from coast to coast to coast, from small-town bus services to 21st century commuter rail and intermodal metropolitan transit networks.

CUTA also represents some of North America's most innovative transit manufacturers and suppliers of high tech buses and trains, as well as world-class engineering and information technology companies.

I would like to begin by recognizing the government's commitment to provide dedicated, long-term funding for public transit in the 2015 federal budget. By committing an additional $1 billion per year of federal money, the government is setting the wheels in motion to unlock funding for major infrastructure projects across the country. Investments will be made through the new public transit fund and will be on top of current funding programs already included in the new building Canada plan.

Public transit ridership continues to show strong growth in Canada. Year after year we have observed an upward trend, with ridership growing significantly faster than Canada's urban population. This higher demand for public transit mixed with the growing need to tackle traffic congestion in our densely populated cities has led to a surge in government investment over the past decade. In 2013 the amount of transit infrastructure capital funding from all orders of government reached $4 billion. Over the last decade, the federal government has invested or committed more than $8 billion in funding for transit infrastructure across the country, nearly $1 billion per year.

A closer review of recent federal contributions shows funding coming from a variety of programs. For example, $2.5 billion from the federal gas tax fund has been accessed by Canadian municipalities for transit projects over the last 10 years. In fact, five of Canada's largest cities—Toronto, Vancouver, Ottawa, Calgary, and Edmonton—have directed most of their federal gas tax fund allocations to public transit.

In addition to the gas tax fund, there have been three funds dedicated specifically to public transit, totalling $1.8 billion, between 2004 and 2010. Furthermore, the federal government has established Canada's first long-term infrastructure investment plan, which will have injected more than $80 billion in provincial, territorial, and municipal infrastructure through the two building Canada plan funding programs over a 17-year period.

These federal investments in public transit are collaborative in nature and are incremental to local, provincial, and territorial funding. In fact, on average, every federal dollar invested in transit generates at least two additional dollars in co-funding. For example, Ottawa's Confederation Line, a new 12.5-kilometre electric light rail system, will provide fast, frequent, and convenient transit service to Ottawa residents. This project was made possible through a partnership between the Government of Canada, the Province of Ontario, the City of Ottawa, and the private sector.

● (1540)

[*Translation*]

The investments required and injected into public transit do not all amount to billions of dollars. Federal investments made possible the purchase of buses in Cornwall, Prince Edward Island. They have also meant that Whitehorse, Yukon was able to acquire a fleet of buses that are completely accessible to persons with reduced mobility.

These investments have a real impact and lead us in the right direction. However, we all know public transit projects in small, medium and large cities that do need additional investments before they can move forward. Moreover, CUTA regularly surveys its members so as to determine infrastructure needs, both for systems management and for new projects to increase ridership.

[*English*]

Our data show that the total five-year need for transit infrastructure is estimated at about $56 billion. Two-thirds of this amount is already covered through current funding programs. That leaves about $18 billion worth of projects for which the industry needs additional funding, which in turn represents $1.2 billion per year for each order of government over the next five years.

The case for governments to invest in urban transportation is straightforward: job creation; economic growth and productivity; support to the transit manufacturing sector; environmental and health benefits; and most important, quality of life. All these aspects contribute to the well-being of Canada and the people living in all communities across the country.

While the greatest share of transit infrastructure need is in large urban areas, mobility needs of Canada's small and medium-sized cities remain critical in keeping our communities vibrant and ensuring that no one is left behind. Transit investments required in these communities are relatively small but their impact is huge, which makes for a real return on investment, on quality of life, and builds vibrant communities.

To give you an example, Transit Windsor has buses from the 1980s still in operation. These buses are not accessible to people with disabilities. They pollute more, and they are becoming very costly to maintain. Unfortunately, Windsor is not alone. In fact, 28% of Canada's transit infrastructure needs are for rehabilitation or replacement.

While the needs related to maintaining our infrastructure in a state of good repair may not be as attractive as building new light rail transit projects, they are nonetheless critical to ensuring the efficiency of our systems and offering high-quality service to our customers.

[*Translation*]

We understand quite well that the government cannot by itself meet all of the infrastructure needs throughout the country. A partnership-based approach, and collaboration with all orders of government and the private sector is essential if large infrastructure projects are to be brought to fruition.

And in fact, this approach is increasingly present in the funding and execution of large public transit projects. Alternate funding methods such as public-private partnerships bring a whole new dimension to the design and execution of projects.

[*English*]

The urban transportation industry is open to alternative funding and financing sources such as P3s; in fact, we are seeing more and more projects being implemented through P3s in our sector. However, it is critical that the P3 projects and models remain flexible in their implementation and in sync with the project needs and the context in which the project takes place.

One component of the current P3 model that we believe could be improved is the 25% limit to the federal contribution to the total cost of the project. While participation from the private sector is really important, P3s are a financing and not a funding tool. Capping the federal contribution to 25% instead of 33% leaves municipalities, provinces, and customers with a more substantial share of the project costs in the long term.

As the federal government works on the program parameters of its newly announced public transit fund, it can count on our full support and collaboration in making this fund a great success.

In conclusion, Mr. Chair, Canadians strongly support transit investment. They understand and experience the real benefits of efficient public transit and integrated urban mobility, and based on several polls on the increasing demand for transit, they want more of it. Optimizing the economic, environmental, and social benefits of public transit will require continued investment in these systems through long-term and sustainable investment streams from all orders of government.

With secure funding in place, our members can go about their business of effectively planning and building transportation systems that will serve not only our generation, but most importantly, the generations to come.

Thank you, Mr. Chair.

● (1545)

**The Chair:** Thank you very much, Mr. Leclerc.

We'll now move to the City of Gatineau, and I believe to Mayor Pedneaud-Jobin. The floor is yours for 10 minutes or less, please.

[*Translation*]

**Mr. Maxime Pedneaud-Jobin (Mayor, City of Gatineau):** Mr. Chair, ladies and gentlemen members of the committee, thank you very much for this invitation.

I'm accompanied by Mr. Patrick Robert-Meunier, who works in my office, as well as by Mr. Gilles Carpentier, who is the chair of the Société de transport de l'Outaouais, vice-chair of the executive and municipal councillor; and by Mr. Denis Tassé, chair of the capital assets and budget committee of the City of Gatineau. He has been a municipal councillor for many years and has been closely involved in the infrastructure dossier during his political career. Do not hesitate to put questions to them during the question period. They know the file as well as I do.

The state of municipal infrastructure is one of the main threats to the financial health of all of the cities of Quebec and Canada. The cost to be paid for years of negligence is huge. The repairs are going to cost more and more, and the retrofit work to be done is increasing constantly. The weight of this budget item is increasingly strangling other essential municipal missions such as libraries, social development, leisure activities, sports or economic development. The objective of today's presentation is to give you a picture of the situation in Gatineau, and especially of Gatineau's reaction to this fundamental issue.

Some five years ago now, the City of Gatineau completed a rigorous and well-documented project to identify and precisely quantify its infrastructure needs. We prepared master plans for each of the relevant areas, that is to say waterworks, sewage, asphalt, the water purification plant and buildings, which exercise allowed us to assess our infrastructure deficit at $1.1 billion. This means that in Gatineau alone, we need to invest $1.1 billion to bring our infrastructure up to an acceptable level.

We are going to table a certain number of documents with the committee, that is to say our long-term financial plan, which was prepared at that time and sets out our needs specifically and rigorously. To deal with this situation, Gatineau made some massive investments. We allocated 100% of all new sources of city revenue since 2005 to infrastructure. Every year since 2012, we have levied a special 1% infrastructure tax. This tax is added to the usual taxation so that we maintain our services. This was a courageous decision on the part of the council. In 2017, the envelope created by that decision will represent a recurring fund of $20 million a year that will be allocated once again only to infrastructure.

We also implemented a strict policy to increase the debt, essentially to take advantage of federal and provincial infrastructure programs. The greatest part of the increase in our debt since the municipal fusion which took place 12 years ago is due to that decision. Our public works department is the only department whose budgets are automatically indexed on a yearly basis because its workload increases considerably every year. We put in place a committee to review expenditures and services and we want to realize recurrent budgetary savings. However, that only involves our other mandates because we want to protect our investments in infrastructure.

In order to stop what we call a hemorrhage, we have created a life-cycle reserve where we take 2% of the cost of each new infrastructure. We put this in a fund so that we can maintain them when they begin to age. We don't want to repeat what was done in the past, that is to say build infrastructure without having any means to maintain them.

We also imposed development charges on all new developments. This is a type of fee that is well-known in the rest of Canada but that is not used much in Quebec. Gatineau is on the cutting edge of that debate in Quebec. The principle of these charges is that growth pays for growth. When a new neighbourhood is built, we impose charges that allow us to expand our plants and do the work related to that new development.

With regard to infrastructure, the necessary catch-up work in Gatineau alone was quantified five years ago at $1.1 billion. We did an update in 2014 and today, despite our massive investments, the cost of the retrofit has increased to $1.3 billion. We are good students. We shoulder our responsibilities and we make sacrifices. I would add that we have shown political courage. Despite all of that, the gap is growing. For instance—and this is a figure I constantly have in mind—the number of kilometres of streets in an unacceptable condition has gone from 195 kilometres in 2005 to 356 kilometres in 2011. I'm talking here about our entire road network.

All of the catch-up work to be done on our infrastructure basically monopolizes all of our fiscal capacity. This has negative consequences. Almost all of the increase in our debt is also allocated to infrastructure.

● (1550)

All of the tax increases on new investments are channelled into our infrastructure. Over the past years our taxation level has often been below the rate of inflation. Our recent tax hikes were limited to the rate of inflation, plus the infrastructure tax. For a growing city like ours this means that the increase in our service offer has to be accomplished through a compression of the services we already offer or through efficiency gains.

These rigorous principles have major repercussions on municipal mandates aside those that are infrastructure-related. For instance, for 12 years now we have made no investments in our library network. Although the population of Gatineau is growing steadily, and knowledge and culture lead to innovation, and we know quite well that our economic and social future depends on our children's grey matter, we have had to neglect our libraries in order to meet immediate infrastructure needs.

To illustrate the gap between that budget item and the others, over the next four years we are going to invest $67 million in projects for parks, bicycles paths, the downtown area and our libraries. During the same period, we will invest $480 million in our infrastructure.

The choices that the state of our infrastructure imposes on us are jeopardizing our capacity to prepare for the future. We feel that that is not an overstatement. Although investing in infrastructure allows us to reduce maintenance expenses, those same infrastructures do not create long-term wealth, do not stimulate innovation and do not contribute to quality of life, as do for instance our libraries or our downtown core.

There are several possible solutions. The fundamental problem is that the urban design of our city is in a way a fiscal error. We have low density, and that low density means that for each street we do not have sufficient tax revenue to pay for the property services and individual services that come with urban development. We have adopted a new development project. We are trying to tighten up construction in our city. We are also grappling with that reality. Our development charges are also a response to that because those fees force densification.

There is also a problem with funds and revenue. In Quebec, cities manage 58% of public infrastructure—that is the other figure I never forget— but they only have access to 8% of the taxes paid by Quebeckers as a whole. The math is implacable. Even with the best will in world, as we have in Gatineau, and even if we invested all of the budgets allocated to other municipal mandates, it is impossible to meet the needs.

Moreover, when federal and provincial governments invest in infrastructure, they obtain a significant return on their investment, which is not the case for municipalities. According to the general perception, governments contribute one third each. However, a study carried out by Deloitte in 2012 on the state of municipal infrastructure in Quebec revealed that taking into account the tax income the other governments enjoy, the net contribution by municipalities to the maintenance of infrastructure and construction is on the order of 76%. This has nothing to do with our capacity to pay.

The financial problem is even greater because the only thing we control is our own budget. There is a great temptation to invest more to solve the problem, which can in some ways be a mistake. We cannot expect today's Gatineau residents to carry the full weight of a problem that was created over several decades. There is also a limit to property taxes and that is our main revenue in Gatineau. It represents 87% or our revenue. It is a tax that is less fair than income tax and that we cannot avoid, as opposed to consumption taxes that we may avoid by consuming less.

The dedicated tax, our life cycle reserve and our policy to increase the debt already weigh heavily on our fiscal capacity. It would be ill-advised to add to the tax burden of Gatineau residents. However, the problem has to be solved, and in my opinion the solution has to come from a better sharing of the resources at the disposal of municipal, provincial and federal governments

I do in fact want to take advantage of this opportunity to highlight the important progress made by cities thanks to the help of the federal government. By putting in place infrastructure funding programs and making them more predictable and permanent, the federal government has greatly facilitated things for us.

I will conclude by saying that we have to build our cities differently, and that is what we are trying to do. We also have to invest massively in public transport because this contributes to reducing the pressure on our infrastructure. M. Carpentier could give you some details regarding our needs in that area.

● (1555)

Finally, we do indeed need greater financial resources. You have already heard that type of comment. This ratio of 58% of the responsibilities and 8% of the income has to be changed. It is a ratio that puts cities in an impossible situation. If the proportions stay the same, the substance of the problem will not change.

Thank you.

[*English*]

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

We'll now move to questioning.

You have seven minutes, Mr. Kellway.

**Mr. Matthew Kellway (Beaches—East York, NDP):** Thank you to the witnesses for coming today and providing your testimony to the committee on a very important subject, obviously.

Those words you ended with, Mr. Mayor, are obviously of great concern, an untenable situation. Let me come back to that.

If I could, I'll start with you, Mr. McBride, about P3s, and I think a simple question of definition.

The language of the government's recent budget, with the new public transit funding, seemed to suggest that P3s are a kind of sub-universe of a broader universe of alternative financing. Is that the case? Am I to understand that correctly?

**Mr. John McBride:** It's difficult for me to speak to what the government's planning in its new public transit fund, but P3s are an umbrella term. P3 is different approaches to packaging together the design, build, financing, operation, and maintenance of an infrastructure into a procurement. You can have different combinations of those approaches. P3 is not a single thing; it's a family of procurement options with the private sector.

The other thing that's notable is it's not alternative financing, but it's also alternative funding. I think we'll hear more from the government about what they also meant by the funding side of alternative financing and funding.

**Mr. Matthew Kellway:** This is probably too complicated for today, but I'm wondering if P3 Canada has something set out that identifies that family. That would provide us with some ability to understand the different models, when they're best used, and essentially what the differences are ultimately in the costing of the different models. Is that something you could provide to the committee?

**Mr. John McBride:** We could, ranging from what's called traditional, which is referred to as design-bid-build, through the various combinations of the family of procurement options. We could easily do that for you.

**Mr. Matthew Kellway:** That would be great. Thank you very much.

Mr. Leclerc, you discussed the 25% versus 33% of federal share when the P3 model is triggered. Have you costed that out, or do you have a model that could show us the difference between a 33% federal share under a P3 model versus a 25% share?

● (1600)

**Mr. Patrick Leclerc:** You would look at the contribution on a project. I don't have the numbers right now, but we could do this on a project-by-project basis.

**Mr. Matthew Kellway:** Do you have some general modelling? I imagine getting a project-by-project assessment is difficult to provide to the committee, unless you have some examples from some of the municipalities you represent. I'd like to see the cost difference between the 25% and 33%. If that could be provided to the committee, that would be very much appreciated.

Mr. McBride, I think the thing about the P3s that is a concern to a lot of people is that when we look at public transit, capital costs, operating costs, whatever one wants to call them, at the end of the day, they're not fully covered by the money that the rider pays to get on the train or the bus or whatever. Clearly, the private sector is interested in engaging in these projects for the purpose of profit. How is that profit ultimately accounted for in the fare?

**Mr. John McBride:** That's a common misconception of a P3. A P3 is how you package together the contractual relationship with the private sector. Almost all of the P3 arrangements in Canada are what's called availability payment arrangements, where the private sector is paid based on the availability of the infrastructure, and the payee to the private sector is the government itself. It's not based on user fees.

The question of whether or not to have a user fee is independent of whether or not to have a P3. You can have P3s with user fees and you can have P3s without user fees. Those two concepts are completely distinct in the discussion. I'll give you an example.

Many hospitals in Ontario are built as P3s. Obviously, there's no fee paid by patients when they go to the hospital. The private sector says, "I'll design and build you that hospital, and I'll maintain it over its life. In return you'll pay me if I succeed." The private sector takes the risk of designing and building the hospital, and I don't pay the private sector a nickel until it's built. The private sector partner takes all of the risk of designing and building that hospital, and you don't pay him anything until it's built. That gives you an advantage. It's like when you're renovating your own bathroom. Do you like to pay the contractor at the beginning, along the way, or at the end? You pay at the end because the risk is his and then you're paying him over the life of the asset if it performs well.

It's performance-based payments to the private sector.

**Mr. Matthew Kellway:** In the case where there's a fare involved and the fare doesn't change, but ultimately the government is the payee, then—

**Mr. John McBride:** The fare can go to the government or to the private sector. That's a question—

**Mr. Matthew Kellway:** It's a government to private sector issue. Do you have examples that you can share where this is ultimately cheaper for the taxpayer?

**Mr. John McBride:** We would not do a P3 project unless we thought it would produce value for money. It's a question of whether the risks the private sector takes on are worth the value of engaging the private capital that is involved.

**Mr. Matthew Kellway:** How do these things work out in the end? Have you run a P3 through the process enough to know over the life cycle this is the way it works?

**Mr. John McBride:** Yes. There are lots of examples. We have $6 billion worth of them in various stages of procurement, construction, and the rest of those kinds of things. On average they produce value for money of somewhere between 5% and 15%.

I would underscore, though, that only about 10% to 15% of capital projects make sense as P3s. You have to do an analysis to see whether it's the right tool. It is the right tool in complex projects you don't do very often, where private sector engagement is helpful and where you can tell the private sector player precisely what you want. It is not the solution for every project, but when it is the right solution.... It's kind of like a screwdriver. You can't be against screwdrivers, but if you want to hammer a nail in, then a screwdriver is not the right tool. You have to make sure you know you're using the tool in the right place and in the right circumstances.

● (1605)

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

Mr. Scarpaleggia, for seven minutes.

**Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.):** To follow up on Mr. Kellway's line of questioning, I'm trying to wrap my mind around how P3s work.

I think we all understand the basic concepts. What's the difference between a P3 and a government going out and saying to a company, "Build me something turnkey. We'll go in and take it over, and we'll charge whatever rider fees are necessary", if we're talking about transportation systems. Is it really the idea that with a P3 the government doesn't have to make a big initial outlay of money? Is that the issue? That's sometimes the way it's portrayed, as a method for governments to obtain financing at a time when government budgets are tight and governments are looking to balance budgets, although I'm not sure that makes a real difference because there are all kinds of accounting practices that I suppose can allow you to spread out the costs.

It's sort of the common perception that P3s are great because the government doesn't have to put up all the money right away, forgetting about who's assuming the risk. Could you comment on that?

**Mr. John McBride:** That's not what P3s deliver. P3s in Canada are on budget. They're on the balance sheet; they're not a way around it. If you're doing P3s because you're trying to do off-balance-sheet financing, you're doing P3s for the wrong reason.

Why P3s? P3s grew out of an analysis of the problems of traditional procurement. There were three or four main problems that people identified in the way things were procured, and they tried to find solutions for them.

What were those problems? One problem was that the government would pay for something and then it wouldn't get what it wanted. Then the money is already paid, and governments are terrible at getting their money back. If you don't pay until they deliver, then you know that the risk is theirs. Also in that world where, if you have to build a major piece of infrastructure and you have to go to the capital markets and borrow $500 million, let's say, from investors to execute the project, and those investors are only going to get paid back if they're successful in delivering the project, the oversight that comes from those types of creditors is a discipline on the project that is incredible. Private capital brings discipline.

**Mr. Francis Scarpaleggia:** I understand the concept. Have there been other examples of P3s where the government has kind of walked away and said, “You built this hospital, and we don't like the way it's built and we're washing our hands of it, and do something with it now”?

**Mr. John McBride:** That's what P3s achieve.

**Mr. Francis Scarpaleggia:** Are all of them 100% successful?

**Mr. John McBride:** In the middle of them, there are a lot of examples where there are deductions in the payments. Deductions in the payments to the point where you would actually kick the contractor or the developer out and they would lose hundreds of millions of dollars don't happen because they don't want to lose hundreds of millions of dollars. It brings financial discipline.

There are a couple of other problems it also solves. Another one is that governments' traditional approach has tended to not look at the whole life cycle. It tends to focus on the build part, but doesn't think about the overall life cycle of an asset. It will design it in a way that's difficult to build and build in a way that doesn't think about operating and maintenance. The mayor mentioned how operating and maintenance is a significant part, and not thinking about the operating and maintenance is a significant part of what's got us into some of these kinds of problems.

When you think about a long-term piece of infrastructure, you have to think about how to design and build it, but you also have to think about how you're going to operate it and maintain it over 25 years. If you put the same accountability to the person where they have to design it and they're accountable for building it and they have to operate and maintain it, they think about that in a whole life cycle way. There is a huge number of examples—I can point you to lots of them—where somebody designed it, and then the builder is building it and he says, “I don't know who did this design for you, but the cost of building this thing is way more than he said it was going to be”, and when it goes to be operated and maintained, that's one single person. There's no, “Well, gee, I didn't design it, I didn't build it, I didn't operate it.”

● (1610)

**Mr. Francis Scarpaleggia:** I'm wondering, just as an aside, the Champlain Bridge in Montreal only lasted 50 years. I read somewhere that the design might not have been the best for the climate and so on and so forth.

**Mr. John McBride:** It wasn't a P3.

**Mr. Francis Scarpaleggia:** Yes, it will be now, I guess.

In Quebec, just to follow up on this, the Quebec government seems to be using the argument that they don't have any money right now to do these things for P3s by having, for example, the *Caisse de dépôt* step in for public transit projects.

**Mr. John McBride:** There are only two ways to pay for public infrastructure: users have to pay for it, or general tax revenues have to pay for it.

**Mr. Francis Scarpaleggia:** You made a distinction between funding and financing. Could you elaborate on that? I think I understand it.

**Mr. John McBride:** The funding is the sources of revenue that are going to pay for something. It's not to say there aren't ancillary sources of revenue for public infrastructure other than general tax revenues and users. You could build a Tim Hortons at a transit station. There are ancillary ways of doing this, but they're not frankly material to the overall cost of a public infrastructure. If you think of revenues as your income, but financing as your debt, you can finance something, but eventually you need revenues to pay that financing off.

[*Translation*]

**Mr. Francis Scarpaleggia:** Mr. Leclerc, you referred to the fund the government created. In the last budget, it did announce the creation of a $1 billion fund over three or four years. An amount of $1 billion may indeed seem like a large sum, although a few years will be needed before that amount is actually reached.

According to some, those funds are not what the country needs; it is what the government can offer currently in the context of the financial framework it has created for itself.

For instance, some say that a city subway station can cost more than a quarter of a billion dollars. That is a lot of money and is appreciated in some respects, but when we hear Mayor Pedneaud-Jobin talk to us about his infrastructure needs and we see...

[*English*]

**The Chair:** Mr. Scarpaleggia, you're well over time, but if you ask—

**Mr. Francis Scarpaleggia:** I'm not a regular member, so I'm not familiar.... Anyway, sorry about that.

**The Chair:** If somebody wants to respond very quickly to that, I'll allow that, but we do have to move on.

[*Translation*]

**Mr. Patrick Leclerc:** Certainly. Thank you, Mr. Chair.

There are two things that are of note concerning that billion dollars. First of all, it is added to investments that were already announced, involving Building Canada and the other investments. Moreover, this is the first time that we have a federal, dedicated and recurring public transit fund. That is unprecedented. It allows more predictability for projects.

[*English*]

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

Mr. Braid, for seven minutes.

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you to all of our witnesses for being here today.

Mr. McBride, I'll start with a couple of questions for you regarding P3s.

You've done an excellent job, I think, of explaining in what situations P3 projects are appropriate and in what situations they are not.

When a project is procured as a P3, could you explain what the benefits to the taxpayer are?

**Mr. John McBride:** Mr. Chair, for projects procured as a P3, there are a lot of risks that are transferred to the private sector. What do I mean by those risks? That's where private finance comes in, because a risk is actually transferred if it happens and you don't pay for it. What value do you get out of that? I talked about whole life cycle optimization. By making a single person accountable, you get greater accountability to the taxpayer for the whole life cycle of the asset. It is one person. There is no pointing at who designed it, who built it, who is operating it. It is one person, and that person has backed up that accountability by putting his or her money on the line.

You get greater discipline by having capital market oversight. I have a tough organization, but I'm telling you the people who lend you hundreds of millions of dollars are tough on the contractors in a way governments just can't be. You get that discipline.

You get innovation. I didn't speak to that, but in a P3 procurement, you specify what you want rather than how to achieve it. You can say that you want it to do a certain outcome, but not that you want six inches of gravel and two inches of asphalt. You enable the private sector to think through the best way of drawing on global best practices to deliver that infrastructure. We're seeing that in terms of the prices we get back. In almost all cases, they're 10% to 20% less than what we even expected.

When you enable that innovation, you provide that discipline and you think of the whole life cycle. The whole life cycle is about the timing of it. Governments can sometimes say that they will do the maintenance next year, but the maintenance next year costs twice as much as the maintenance this year, because things that you push off cost more. On our $1.3 billion of investments to our $6.5 billion of projects, we have an estimated incremental savings of $860 million to taxpayers.

● (1615)

**Mr. Peter Braid:** You also explained that by definition a P3 project has “private capital” involved. What do you mean by that, and how is private capital involved?

**Mr. John McBride:** Depending on the model, private capital is engaged in both the short term and the long term. If you're in a long-term arrangement, because a P3 can be just a matter of design, build, and finance through construction, in that world, if they're building a piece of an extension to a subway line and you're not paying them until it's built, they have to raise the capital and put their money at risk to pay to build that line. If you're engaging them in a long-term arrangement, which includes design, build, operate, and maintain, you keep their capital at risk over the whole life of the asset, so that at any time, if you're not satisfied that they're meeting the performance expectations set out in the contract, you stop paying them.

It's not just that they're losing the opportunity; they're going to be losing their capital, and they're not going to be able to pay back the people they borrowed the money from. That's not just a matter of having a bad deal with the government. That means putting their whole company at risk, and this is serious. That private capital brings serious discipline to the execution of these projects.

**Mr. Peter Braid:** By virtue of private capital being involved, then, would you define the private sector, in the case of a P3, as being a funding partner?

**Mr. John McBride:** No, I'd distinguish between financing and funding, as I would distinguish income statements, expenses and revenues from sources of capital and balance sheets.

People who need to be paid back are not funders. People use those terms interchangeably, but in my head, to keep it simpler, financing means you're providing capital that's expected to be repaid if it performs. Funders are the ones who are either using the infrastructure or investing in it for a public policy purpose.

**Mr. Peter Braid:** Very good. Thank you very much.

Monsieur Leclerc, if I heard you correctly, you mentioned in your opening statement that currently there is a funding gap for major public transit projects in the country. The funding gap is how much?

**Mr. Patrick Leclerc:** It's $18 billion for the next five years.

**Mr. Peter Braid:** You broke that down in terms of how you would apportion it to each level of government. Could you elaborate on that?

**Mr. Patrick Leclerc:** When we survey our members, we ask what their plans are for rehabilitation and replacement and for expansion of ridership. Then we ask them what portion of that has funding committed to it and what portion would need additional funding.

Really, the gap is the $18 billion. What we are seeing is that if you go with this assumption of one-third, one-third, and one-third, that would be roughly $1 billion per order of government each year for five years. That's assuming that full one-third of this.

● (1620)

**Mr. Peter Braid:** Very good. Is that one reason you very much welcome the new public transit fund that was announced in the recent budget?

**Mr. Patrick Leclerc:** The new transit fund will do two things. Really, it's the first time we'll have a dedicated and ongoing fund, which is really good at the federal level, so it's important. The other thing is, right now, for the next five years, it will help us close that gap, and then we'll be looking at what it does as well for the next 10, 15, and 20 years as the population grows.

**Mr. Peter Braid:** We have the initial general description of the new public transit fund in the budget document. More details will be shared in the coming weeks and months.

You're here today. You have the opportunity to provide your input, your feedback, in terms of how you'd like to see that fund operated. Do you have any specific suggestions?

There's no charge for this.

**Mr. Patrick Leclerc:** Thank you very much for the opportunity. I think one of the keywords is flexibility. Mr. McBride mentioned that in the budget they talk about alternative funding and financing, including P3s. To answer Mr. Kellway's question, there is a broad range of alternative funding tools. As a matter of fact, last year we organized an international conference in Montreal, to which we brought international experts from everywhere—Asia, Europe, and the Americas—on that specific point. P3 was only one of the presentations.

In about a month we will launch a report that details about 25 alternative funding tools. What we're looking for in this fund is not to be restrictive in nature. It's really to be flexible so that municipalities can look at the different programs they want to put together and the different mechanisms, and make sure that they can submit projects that will respond to their needs and the needs of their citizens. That's one thing, and I already mentioned the increase in the cap for federal contributions from 25% to 33%. That's another thing we're engaging.

**The Vice-Chair (Mr. Hoang Mai (Brossard—La Prairie, NDP)):** Thank you, Mr. Braid.

Now it's Mr. Komarnicki's turn.

**Mr. Ed Komarnicki (Souris—Moose Mountain, CPC):** Mr. McBride, if there are a lot of questions on P3s, I guess it's because many of us are not quite familiar with how they might work.

From a conceptual point of view, I note that some small communities undertake to develop their own lots, service them, and attempt to sell them. Some get developers to do them. In the normal course of events, they're more practised at doing them. Of course, you might be able to get the cost down by using the private sector.

If the risk gets passed to the private sector in P3s, and if they have to raise their initial capital, I guess there's a cost to that. Is there some sort of formula that say, on a given project of *x* dollars you have to allow a certain rate of return or percentage to the private sector for (a) assuming risk, (b) raising financing, and (c) contributing funds to the project? I have a number of questions in there.

At the tail end of it, if you're going to operate it for 20 or 25 years, there's a certain amount of risk, a certain amount of management fees, and a certain rate of return that it would be reasonable to get. There must be something you factor in for that when you're going through a project. When you add all that up, it must be less than the risk assumed and then the overall cost, because you've never done it before, or for any variety of reasons, such as, you haven't thought about the design, or you haven't thought about maintenance. I mean, you're thinking about all these things, but there's a cost to them.

Can you answer those questions? You don't necessarily have to answer them in that order, but you get the drift.

**Mr. John McBride:** I do. In fact, it sounds like you would make a great employee at my organization.

**Voices:** Oh, oh!

**Mr. John McBride:** It's exactly the kind of analysis you need to go through, because there are costs and there are benefits. There are benefits of them taking on the risks of cost overruns, of them taking on the risks of design flaws, of them taking on the risks of catastrophic issues or operating problems, all of those risks that in another way would be the government's. You have to do a risk evaluation of those kinds of things.

Against that you have to put the cost, because there will be a premium to the private sector finance. If they're going to take on risk, they're going to expect return. The question in a P3 is to allocate the risk to those who are best able to manage it. In that way, you have to do an evaluation. We do what we call a value for money evaluation on what is the right model on every single project that we would consider. We would not do it unless our analysis, which is very rigorous, concludes that it's the right thing. That's why I said that only in about 15% of the cases do you conclude that.

Are there rules of thumb? We will do a deep dive, but are there rules of thumb where we say that we wouldn't even do a deep analysis on one, but on another one, probably. You need to have something that has scale. It has to be $50 million to $100 million, depending on the sector. Why is that? You need to attract the private sector interest. If the private sector is going to bid on one of these things, that means they need to do design work. They have to invest millions of dollars in the bid process in order to think through how they will handle this, to get that innovation—

● (1625)

**Mr. Ed Komarnicki:** How do you decide that this is value for money? Is there a formula, or is there a basis to say—

**Mr. John McBride:** We have a methodology, which is published on our website, about the process we go through. We will go through all the risks of a project—which are appropriately transferred to the private sector, what we evaluate them to be worth—and on the other side of the equation we will take a look at transaction costs and financing costs and then we'll conclude.

We'll also conclude at a screening level, even at a high level, whether or not something is even worth doing a deep dive on. If we think that yes, it has a chance, we will do a very granular, quantitative, analytical process to determine whether we think it's the right approach.

**Mr. Ed Komarnicki:** In effect, then, you're saying there's a certain level of return that would be expected for the industry, a certain level of return on the financing and on the management operations side, that you would be able to tell would be far better spent than having it done the traditional way, where people aren't concerned about those very issues, such as the rate of return, the operating costs, and all of that.

**Mr. John McBride:** We would benchmark, say, financing costs against parallel transactions that have already been executed in the market.

**Mr. Ed Komarnicki:** You do that kind of comparability.

**Mr. John McBride:** We do that kind of analysis. It's very deep analysis on those kinds of things. We're talking about projects that are hundreds of millions and billions of dollars. To spend the time to do that analysis is well worth it.

**Mr. Ed Komarnicki:** In some cases the third party invests funds to add to what the contributions are on the federal, municipal, or provincial side, or is that not...?

**Mr. John McBride:** The private sector will put in financing, but I haven't found private financing that doesn't want to get paid back.

**Mr. Ed Komarnicki:** Right.

You put it in, but it's really not funding. It is leveraging a greater amount of money to have on the project's budget.

● (1630)

**Mr. John McBride:** It brings discipline. I put my money behind the fact that I'll deliver the project. If I don't deliver, you don't have to pay me. I'll put $500 million behind the fact that I'll deliver. That focuses the mind.

**Mr. Ed Komarnicki:** It does focus it, for sure.

Now I'll move to the mayor.

I'm not sure if I have a lot of time or not, but it's interesting to see that you've at least taken the time to see what your infrastructure needs may be going forward and what your deficiencies might be. You're taking some measured steps to try and overcome it, although maybe not to the degree that you would like.

It was interesting to hear both from the transit side and from something you said, that there are needs you have priorities for and you'd like to have addressed. I noticed the gas tax fund, along with the GST rebate, runs in significant dollars. It would be in billions of dollars.

What's your view of the fact that there's almost no strings attached to a fund that gives you the decision-making process as to where you put it?

I know the cities have asked for it. We've increased it and we've tagged it to inflation, so there's an inflation factor to it. Is that a good way of using a set amount of dollars by saying to the municipalities, “You don't have to apply for the project, but here's what you'd get based on your population”?

Perhaps the mayor could make a comment and Mr. Leclerc.

[*Translation*]

**Mr. Maxime Pedneaud-Jobin:** I think that is very good news.

[*English*]

It was an excellent decision.

[*Translation*]

That is one of the programs we prefer, precisely because the cities have a certain leeway that allows them to choose their priorities. We consider ourselves a local government and as such, we are closely watched by the media, our citizens and an Auditor General. We are accountable to our population. The fact that the program has very general criteria is an advantage for us.

Certain cities invested a lot in waterworks and sewers. We invested considerable amounts in our water treatment plants. Most of our gas tax revenue was allocated to our water treatment plants. In five or six years, water will no longer be a priority, since we will have made the necessary investments, but this may not be the case for other cities.

Since cities are extremely different from one region to another, it is in our opinion essential that we have a certain leeway.

**The Vice-Chair (Mr. Hoang Mai):** Thank you very much.

[*English*]

We don't have any more time for your round. Maybe one of your colleagues could ask those questions.

Mr. Sullivan, for five minutes.

**Mr. Mike Sullivan (York South—Weston, NDP):** Thank you, Mr. Chair, and thank you to the witnesses.

I'm not a fan of P3s, in part because I believe what we're doing is just turning infrastructure into a profit centre for some in the private sector. Let me give you an example of something that happened in Toronto and that happened in my riding. It was originally to be a P1, in that it was to be private sector completely owned, operated, and managed. It's the airport rail link that David Collenette announced in 2003 would not cost the taxpayer one nickel. Now, $1.4 billion later, the private sector partner pulled out because they couldn't make a profit, or for whatever reason, I'm not sure, because they weren't telling us why, but they did pull out. The provincial government pulled in.

Now the project is going to be produced and the trains are apparently going to run in June. They're incompatible with GO trains, so they can't be on the same platform as a GO train, even though they're running on the same tracks as a GO train. They're not electric; they're diesel. For whatever reason, the fares are going to be much higher than the private sector was going to charge. The fare will be $27.50 a ride. It's public money, the $1.4 billion, but the public won't be able to afford to ride it. This is an example of a project gone completely screwy. The private sector clearly wasn't prepared to do it. The trains are going to run only one-tenth full, but that's going to be termed a victory.

Where is it in Canada that we should be building transit like this? Should this have been something that should have been done in a different way? Does anybody have an opinion?

No. Okay, I'll leave that.

I believe it was Regina, but somewhere in Saskatchewan, there was a city that wanted access to federal funding, but could only get it if it was a P3 project. They had to convert their project into a P3 in order to have access to federal funding, even though they might not have been desirous of using the P3 model.

Is that one of the difficulties of what you have to administer, Mr. McBride? Is it that the money is only available if it is a P3?

**Mr. John McBride:** We are a P3 fund. With your example of Regina, the Regina city council unanimously endorsed a P3 approach to doing it—if you're referring to their waste water treatment plant, which we did support—based on an analysis they did that determined, based on the costs and the benefits, a P3 approach would be a better value approach to their delivering it. It was supported by the mayor and the council, who made an application to us to do that project as a P3. I didn't force them to do it as a P3, but that was something that the council.... They also put it out to a public referendum, which also succeeded. The general public also wanted it to be a P3 because they believed, in the analysis of the council, it would produce better value.

**Mr. Mike Sullivan:** My issue is not whether or not the council ultimately went that way. The issue is whether there is a restriction in some federal funding that is only applicable to a P3 project regardless of whether that may in fact be the wish of the city, or the council, or the municipality. If council had decided not to go with a P3, they couldn't have had access to federal money.

● (1635)

**Mr. John McBride:** The P3 Canada fund is a fund to help encourage learning about P3s. As the P3 Canada fund it only funds P3s, so that's certainly true.

**Mr. Mike Sullivan:** That was my point.

**Mr. John McBride:** There is the building Canada fund and it's $1 billion out of $55 billion. It's about helping people to learn. The federal government is helping to teach new ways of doing infrastructure while they're continuing to support with $54 billion of other funding. There are lots of opportunities for people to do projects in a non-P3 way, and there are opportunities that the federal government is doing to help people to learn about how to use P3s. There are alternative funding sources for non-P3s.

**Mr. Mike Sullivan:** It's not just an educational program. It does have real infrastructure money. It's not just about learning. It's about the spending of money.

**Mr. John McBride:** You can learn theoretically, but to a certain extent you have to learn by doing as well. You have to experience the process to know the benefits. You can have a presentation, but I would argue you need to learn by doing as well.

**The Vice-Chair (Mr. Hoang Mai):** Thank you very much, Mr. Sullivan.

Ms. Young, for five minutes.

**Ms. Wai Young (Vancouver South, CPC):** Thank you, gentlemen, for being here and for the quite diverse testimony that we're hearing today.

I'm from Vancouver. We have built many things there and a very successful Canada Line. I want to ask about this whole notion of ownership of infrastructure and how you set rates. What we're hearing is that 95% of infrastructure is owned locally or by the province, right? The federal government does not own most of the infrastructure that we fund. Therefore, how do you go about...is there a working group on this at the Federation of Canadian Municipalities, etc., where you determine the development permit costs and people who buy land and develop or whatever, who help with these public buildings...? How does that all come together in terms of your rate setting and your taxes, etc.?

Perhaps I'll address that to the mayor.

**Mr. Maxime Pedneaud-Jobin:** I'm sorry, but I'm not sure I understand the question.

**Ms. Wai Young:** What I'm trying to say is, you were saying that you find it difficult developing or coming up with enough funds to fund your own infrastructure or even to fund the maintenance of it. I'm trying to ask if there is a set formula or if these things are shared between cities. Does one city charge more and another city charges less? I know even locally here between Ottawa and Gatineau, for example, the price of property and the property taxes are different. Can you explain in a step-by-step way how that is for this study?

**Mr. Maxime Pedneaud-Jobin:** I'll do it in French.

[*Translation*]

The taxation is different in each city. Every city makes choices with regard to the construction of infrastructure. Essentially, all cities have the same mandate, which is to build roads, waterworks, sewers, parks and sports centres. Their municipal mandate was given to them when the Canadian Constitution was agreed upon. At that time, it was determined that those would be the roles cities would play.

Unfortunately, taxation has not followed suit. The taxation regime is two centuries old. At that time, almost 100% of the services provided by cities were property services such as waterworks, sewers, asphalt and roads. Today, cites organize leisure activities and are the main disseminators of culture. They try to fight the isolation of seniors and organize activities for them. Cities are the ones that offer sports and leisure.

The cities have developed these services for residents, but their taxation has not changed. You have identified a major problem. Can the cities have access to part of the taxes, either the GST or the QST? May they have access to a part of income tax revenues? Such solutions would be appropriate in order to offset the fact that they now offer more essential services. May I remind you that municipal governments do not fund anything frivolous. In my opinion, we are facing an emergency. We have to change municipal taxation as it is no longer adapted to today's needs.

The decision could be made to tell cities to no longer offer leisure or cultural activities. Libraries have been a municipal responsibility forever. Cities have to invest in them, but they no longer have the means to do so, particularly because infrastructure is weighing too heavily on their finances.

I don't know if I answered your question.

● (1640)

[*English*]

**Ms. Wai Young:** Thank you for that, Mr. Mayor. Let me just say that what I'm hearing from you, and correct me if I'm wrong, is that the cities of course have the opportunity to tax and from that tax base they are able to build infrastructure, such as sewers, water treatment plants, and those sorts of things. But in the more current reality, they are funding other things. I know that the City of Vancouver funds festivals, cultural things, all kinds of things. At the same time, the cities come to the federal government here and say that they have no money for infrastructure, yet they are funding other things. Obviously and clearly, the cities have choices locally in terms of what they have the capacity to fund.

[*Translation*]

**Mr. Maxime Pedneaud-Jobin:** For years now, upper levels of government have been giving us responsibilities. We did not use to have responsibilities regarding housing but we have some now. Gatineau is the 17th largest city in Canada, and in the area of social development we must now intervene with the homeless. We have a role to play with homeless people now through our police services.

In Gatineau alone for the past 12 years, 40% of new jobs have been for firemen or police officers we have been forced to hire because the Government of Quebec requires that we respect more stringent standards. We have no real choice in the matter, obviously, in that regard, whether we are talking about homelessness, housing or a multitude of other areas. The other governments ask us to broaden our field of action, but our tax revenue does not increase for all that. However, 87% of our income comes from real estate taxes. So the cities are trapped in a dead end.

Let me repeat that we are not talking about superfluous, expendable activities. In light of the income at our disposal currently, how are we going to fund infrastructure? Are we going to close soccer fields or arenas, stop snow removal, or clean less? The municipal governments deal with essential needs. Our leeway is quite limited as compared to provincial and federal governments. For instance, 8% of the taxes paid by all Canadians go to municipalities, whereas provincial and federal governments get 92%. However, we manage 58% of infrastructure.

I don't want to shut down roads or a water treatment plant. It is in that sense that the cities are trapped in dead ends.

[*English*]

**The Vice-Chair (Mr. Hoang Mai):** Thank you, Ms. Young.

If my colleagues don't mind, I'll take the next round.

[*Translation*]

Thank you very much.

Mr. Mayor, you talked about the challenges you are facing with taxation. The government replies that measures involving infrastructure have already been brought in. I think it would be interesting for us to hear about the concrete aspects of all that, for instance your experience with the various funds that are accessible.

What challenges have you had to face? Have you managed to obtain funding? And what are the problems to be expected, generally speaking?

**Mr. Maxime Pedneaud-Jobin:** The governments don't like to hear that, but as I said earlier, the fewer criteria there are the better off we are. That is what I would say for the time being, but I will add some nuances afterwards.

According to the cities, the fewer criteria there are the better it is. It is not because we want to be free to do any old thing, but because cities are extremely different one from the other. That is why the Gas Tax Fund, or Building Canada—excuse me, I confuse them—are interesting.

[*English*]

There are not many strings attached.

[*Translation*]

That is interesting for us.

**The Vice-Chair (Mr. Hoang Mai):** The Building Canada Fund for instance, was for certain types of infrastructure.

**Mr. Maxime Pedneaud-Jobin:** In the beginning, it involved water-related infrastructure. Everything was included in that. Certain cities solve these issues faster than others, but even without very specific criteria, the infrastructure needs are so great that not a penny will be spent unnecessarily by the cities. None of them are going to build useless infrastructure. We only have to maintain what we already have. We are talking about essential priorities such as preventing roofs from leaking.

● (1645)

**The Vice-Chair (Mr. Hoang Mai):** Mr. Carpentier, you have the floor.

**Mr. Gilles Carpentier (City Councillor, City of Gatineau):** I will give you an example in the same vein as what Mr. Leclerc said earlier.

I think it would be a mistake to put the Public Transit Fund in a silo. For instance, if we want to create a public transit lane, when we do the work to open up the road, we may discover that the ground underneath it needs to be rebuilt. When the contractor and the equipment are on site, the project has to be sufficiently flexible to allow the cities not only to invest in public transit, but also to take advantage of the fact that a construction project is going on to modernize the underlay, for instance the sewers, the pipes, and other things. This type of flexibility means we can avoid working in a stanchion or a silo.

**The Vice-Chair (Mr. Hoang Mai):** The last budget refers to the Public Transit Fund. Have you had the opportunity of studying that matter given that some criteria require that projects take the form of P3s, for instance? What is your position on that?

**Mr. Maxime Pedneaud-Jobin:** First of all, we are not entirely familiar with these.

Yesterday, I was at a meeting of some of the members of the Big City Mayors' Caucus of Canada. They have certain serious concerns, for instance with regard to the size of projects.

Gatineau is the 17th largest city in Canada. If we are talking about very large projects, it could mean that only five or six cities in Canada will be able to benefit from that fund. We do not often have projects of more than $100 million. However, we have some important problems to solve. There are also the criteria to be considered. What is a P3? As a previous speaker said very well, the definition of the P3 is quite vague.

In principle, each of the projects will be studied. If we can obtain a contribution from the private sector, in whatever form, we are going to consider it. This isn't an ideological question, but what we know so far does not allow us to offer a very specific opinion on the substance.

We are pleased that there is a fund. We are talking about $1 billion a year for public transit. Right now, we have to seek funds from the Building Canada Fund to invest in public transit.

The amount of money available is interesting, but we have some serious reservations about the mechanics of it all. We really fear that only five or six large cities in Canada are going to be able to have access to it. As someone said before, the criteria apply to large complex projects, and we don't do that very often. This will not be happening in Gatineau.

**The Vice-Chair (Mr. Hoang Mai):** The analysts may correct me if I am mistaken, but I think that behind that fund, there is the idea of grouping several small projects in a single bid.

What are the advantages and disadvantages of proceeding in that way?

**Mr. Maxime Pedneaud-Jobin:** Once again, a certain number of projects have to be ready to go at the same time, and have to be compatible, in order to realize real savings. So this is a case where you have to understand the mechanics in order to have an opinion that is more positive than the one I am expressing right now.

**The Vice-Chair (Mr. Hoang Mai):** I see. Thank you very much. My time has expired.

[*English*]

Mr. Yurdiga, you have five minutes.

**Mr. David Yurdiga (Fort McMurray—Athabasca, CPC):** Thank you to all the witnesses for being here today.

I have some questions regarding P3.

I had a very positive experience with P3 applications. The nice thing is that when we were determining whether we should go to P3 or not, we looked at risk. We wanted to know how much we were going to end up paying for the whole project. Risk was eliminated. We knew what it was going to cost us, and that was it.

We did horizontal drilling to get a water line. I think it was 80 kilometres. We mitigated the environmental issues, wetland disruption, and even property being destroyed, such as going through farmers' fields or destroying trees to have an open trench. I think the biggest positive about P3s is the certainty. We did other projects where we didn't have certainty; we had cost overruns and stuff was improperly done. The risk was all back on us and it cost us dearly. This project came in on time and within budget. There was no [*Inaudible—Editor*] dollars, but everything went perfectly.

What types of projects have you been involved in, Mr. McBride, that didn't go well? Are there certain aspects of P3s that should never be entertained?

● (1650)

**Mr. John McBride:** Well, I haven't been in one yet that's gone badly, but I know of ones that have gone badly, that people thought were P3s. I guess that goes a bit to the definition. If you have a properly structured thought-through P3, what does it mean to go badly? If you had a problem, the private sector might have to pay more, but I think that's not a problem for me as long as I know what I'm paying and they don't pay more. I'm not actually in this to see the private sector make money. I'm in this to make sure the public sector gets best value for taxpayers.

I can give you an example of things that people trot out as failures. The Government of the Northwest Territories entered into an arrangement with the private sector to build a bridge. The private sector was going to provide the financing, but the government promptly turned around and guaranteed all their financing. What happened to the risk transfer? Where's their money on the line? When the contractor couldn't build the bridge and walked away from it, the Government of the Northwest Territories was sitting having guaranteed all the debt. I wouldn't call that a P3, because the private sector didn't put up their financing.

If you think you're doing a P3, but you don't understand clearly the concepts or you don't contractually translate into the legal documentation the idea of wanting them to take that risk, and if in fact the financing doesn't actually get lost.... There are lots of ways in the process for the value for money to leak away if you don't know what you're doing.

That's why governments, led by the Government of British Columbia, started creating agencies like Partnerships BC, with expertise to make sure the public sector was getting good value out of those deals. The whole country learned from British Columbia, and then the whole country learned from Ontario and what it's done through Infrastructure Ontario. I'm a beneficiary of what those two provinces started, and now we're sharing it with the rest of the country. Saskatchewan has created SaskBuilds.

You need to be very careful when you're doing these things. Can you negotiate yourself a bad deal? Absolutely you can. Do we do a lot of hard work to make sure we don't? Absolutely we do, but if you make sure their money is at risk, it's almost impossible to have a "bad deal". It might end up being a bad deal for them, because they may lose their shirts, but that doesn't bother me too much.

**The Vice-Chair (Mr. Hoang Mai):** Mr. Watson, you have five minutes.

**Mr. Jeff Watson (Essex, CPC):** Thank you very much to our witnesses for appearing.

My apologies right off the top. I was speaking in the House, so I missed your opening presentations. I was speaking to Bill C-52, our safe and accountable rail act, which was important. If any of my questions relate to something that I may have missed, you'll understand why.

First of all, Mr. McBride, I think earlier you suggested that the so-called rise of public-private partnerships came out of problems identified with traditional procurement. I've been listening closely today, and I think you mentioned only three of the four. I wasn't sure what the last one was. You said the first one was when you pay but you don't necessarily get what you want. The second was that creditor oversight is a strong discipline on the contractor. The third was the tendency to ignore the life cycle of an asset when doing design and build only. What was the fourth?

**Mr. John McBride:** There are two others that I would know. They're sort of in the sphere of risk, or at least one is.

One is contractual interface risk. In the normal process you would issue a contract for somebody to design it. Then you would take that design and you would issue another contract to build it. Who takes the contractual interface risk between the design contract and the build contract? It is the government. If the design is wrong, and something happens with the build, they both point at you. Package them together, and you reduce risk because you're not taking the contractual interface risk.

The thing that people miss most is the innovation potential that you get. I mentioned that a bit, but in a P3 you can tell them what you want them to achieve, for example, to carry passengers from downtown Vancouver out to the airport, or to build a road from here to there.

I've been in the public sector a long time. The public sector is really great. Its core mandate, in my view, is to figure out what citizens need and how to pay for it, but leave it to the people who are the experts to figure out how to deliver it. I have thousands of little anecdotes ranging from the small to the very large that if you give them the freedom to bring their expertise to bear, it's amazing the results you can get. I'd be happy to share some of those anecdotes.

Governments tend to over-specify in their contracts: they want the bolt to be this big, or they want something to be that size. That disables the ability of the private sector to innovate.

● (1655)

**Mr. Jeff Watson:** In listening to the upside of P3s, I think the success of a P3 really is in getting the design proper on how you enter into a P3. That is to say, if I understood you correctly, not affecting a proper P3, but thinking you're getting a P3, a proponent may in fact be incurring some serious risk and serious cost, if it's a municipality, for example, to taxpayers. It's not that in venturing into the realm of P3 there aren't risks for proponents to be looking at; it's making sure that we get the right design.

If I'm a municipality that requires that kind of expertise, can I approach PPP Canada for that type of advice?

**Mr. John McBride:** That's what we're here for. Number one, we're a source of expertise for all levels of government, if you want advice on whether something makes sense as a P3.

That's why I say that, yes, we provide funding to projects, but I think if you asked the municipalities.... We've worked with lots of municipalities across the country. They'll tell me that the funding was great but it was being with them along the way that really made the difference. Sometimes it's helping them to pick the right project or helping them to structure it in the right way. We're with them right through the procurement process. I have a whole team who will be with them as they're doing the whole thing, writing the contractual agreements.

That's why I talked a bit about our hopefully leaving a legacy of expertise with these municipalities so that over time they can start to use this to go on their own.

**The Vice-Chair (Mr. Hoang Mai):** Thank you, Mr. McBride and Mr. Watson.

We'll do another round of five minutes, and we'll see how much time we have left after.

Mr. Kellway, for five minutes.

**Mr. Matthew Kellway:** For both CUTA and you, Mr. Mayor, or your councillors, I have essentially the same question.

Infrastructure Canada was here the other day. In terms of the amount of funding that is put into the building Canada fund or to the new public transit fund, it seems very much that these are arbitrary numbers without a view to any policy objectives, except the notion that it's all good for the economic competitiveness of Canada. But the actual quantum, or the number, the funding level that comes out of this process, doesn't seem to have any particular relation to any policy objectives.

Let me start with CUTA. I understand you're at $18 billion now. As the urban affairs critic, infrastructure critic, and deputy critic for transport for our caucus, I talk to a lot of your members, and you've facilitated some of those conversations. The ones I talk to all say, “Well, that's not enough money”.

I understand you've picked this five-year notion of what's unfunded over the next five years, projects that are backlogged. If you were free to think and provide advice to the federal government—and this question is for you, Mr. Mayor, about infrastructure generally—what kind of policy objectives would you put in place to determine the amount of funding that ought to be provided by the federal government?

Does that question make sense to you?

● (1700)

**Mr. Patrick Leclerc:** It does, and thanks for the question.

When we refer to closing the gap, this is when we ask our members what they need and what their plans are. This is the what will be, not what could be. We know there are visions for Vancouver, Montreal, and Toronto. There is long-term planning. This is not actual planning. These are all the projects we'd like to implement. The survey covers actual planning over the next five years, so that's what we're looking at.

It's about striking the right balance. Allowing municipalities to have flexibility is very important, and we understand that. It's a key aspect for them and for municipalities. At the same time, we're looking at the policy objectives we're trying to reach. Let's look at the new dedicated public transit fund, for instance. Considering criteria or considering factors such as land use planning or thorough integration of public transit with an overall urban design to make sure it's at the forefront, so you're not building something and at the same time developing other projects that may reduce the impacts, are the things we'll be looking at and engaging in.

As we all mentioned, we don't know much about the new public transit fund, so we don't know what the criteria will be. Certainly we have to know what we want to achieve. If it's strictly to reduce traffic congestion, for instance, then we would not necessarily have an investment in Gatineau, but what about the needs of the citizens there? This is where we need to engage in a thorough policy discussion as well to see what we want to achieve and how we will achieve our goals.

[*Translation*]

**Mr. Maxime Pedneaud-Jobin:** There are two parts to my answer.

First of all, we quantified our needs very precisely and that is in the document we are going to table. The amount of $1.3 billion represents the catch-up work that must be done and that figure is derived from the study we carried out with great precision for each of our activity sectors, waterworks, sewers, asphalt and buildings. This $1.3 billion amount is the cost of catching up. That is the amount needed to repair the damage.

For years taxes were collected to build roads, but there were no taxes levied for repairs. We continued to build and today we have a deficit. Among all the cities in Canada that have this type of need, the amount we need is the best substantiated one.

More generally, we have to change the picture of municipal taxation. I reiterate that cities shoulder 58% of the cost of managing infrastructure, but only receive 8% of the revenue. You don't have to be a rocket scientist to understand that we have a serious problem there.

In short, if we change this ratio of responsibility to revenue, we could choose to invest in public transit without having to go and beg in Quebec or in Ottawa. Through the Canadian Federation of Municipalities, the cities are asking whether they could be partners, in fact. They wonder if they could be considered like real governments, local governments, rather than as entities that go and beg for money whenever there is an election. There has to be a better balance between our responsibilities and the income at our disposal.

**The Vice-Chair (Mr. Hoang Mai):** Thank you, Mr. Pednault-Jobin.

[*English*]

Mr. Kellway, I'm sorry, but your time is up.

Mr. McGuinty, you have five minutes.

**Mr. David McGuinty (Ottawa South, Lib.):** Thanks, Mr. Chair.

I'm sorry I'm late, gentlemen. Like my colleague, I've just come from the House where we were debating a bill.

[*Translation*]

My question will be addressed to Mr. Pednault-Jobin.

Two days ago, I asked the assistant deputy minister responsible for policy at Infrastructure Canada to confirm whether it is mandatory to put up signs in front of every project into which the federal government has injected money. He confirmed that this was obligatory and that only taxpayers' money was used to put up those billboards.

Could you tell us how many of these signs were put up in the city of Gatineau and who is paying for them?

● (1705)

**Mr. Maxime Pedneaud-Jobin:** No, I don't have that information. However, I could do some research and send you that in writing. I take note of your question.

Our city is among those that make the greatest use of the Building Canada Plan. So we could certainly determine how many of these signs have been put up in our area.

**Mr. David McGuinty:** I would like some information on the signs; where they are placed and how much they cost.

When I asked the former mayor of Ottawa the same question, he confirmed that the City of Ottawa was required to spend $50,000 on them. It was required. The agreement between the feds, the province of Ontario and the City of Ottawa provides for it.

We have estimated that the 9,800 signs placed all over Canada cost $29.5 million as a minimum, say almost $30 million. It would help everyone here to know how much is being spent on these advertising signs. You are telling me that you can do that.

Thank you very much.

**Mr. Maxime Pedneaud-Jobin:** We probably cannot do it tomorrow, but we will take the matter seriously and we will do it.

**Mr. David McGuinty:** That would help us enormously. Thank you.

[*English*]

Could I turn to Mr. McBride.

Mr. McBride, yesterday we also asked the ADM of policy a number of questions about the criteria that is applied before other orders of government get access to federal infrastructure money. One of my colleagues asked about job creation, for example, and the reply was frankly, inconclusive.

I want to ask about sustainability criteria. Then I want to open it, if I could, to the panel.

We don't seem at all federally to be saying to recipients of federal dollars that we are interested in funding, participating, whether it's in a PPP format or a government-only investment, but we want to make sure that the construction conforms to the highest efficiency standards. For example, if you're going to build a building, we want the highest energy efficiency standards available in the marketplace today. We set that as a criteria. If you're going to use water, we want the lowest water intensity metrics available on the market today. If you're going to build with materials, we want the most efficient use of materials and material intensity today.

It's surprising, because in another life for a previous government, we struck a process that actually devised the first efficiency metrics for this country. They were then taken over to Stats Canada where they were supposed to be implemented, and then the project was killed by the government.

We're not making any progress. The OECD has moved ahead of us. In fact, the work we did in Canada was the baseline for the OECD.

Can you help us understand, should the federal government be requiring recipients of federal moneys for infrastructure to abide by the highest efficiency standards in the marketplace? Would you agree that in so doing, it would pull Canada's sustainability performance forward?

**Mr. John McBride:** I can say that we definitely take a look at the public benefits of the project and those include environmental criteria. When it comes to detailed performance specifications like that, there is a question that the mayor raised about exactly who should dictate what performance specifications for the needs of individual municipalities and territories.

I would argue that if you did take a look at the end results, municipalities are already leading in that regard and they require those kinds of things to be part of their things.

What should be dictated by the federal government and to what extent should you leave those choices to municipalities is a choice the people around this table should debate, I guess.

● (1710)

**Mr. David McGuinty:** Let me explore that with you—

**The Vice-Chair (Mr. Hoang Mai):** Mr. McGuinty, your time is up.

**Mr. David McGuinty:** I'm sorry to hear that. Maybe we can come back to it.

**The Vice-Chair (Mr. Hoang Mai):** Mr. Braid, you have five minutes.

**Mr. Peter Braid:** Thank you, again, to all of you, for being here this afternoon.

Mr. Mayor from Gatineau, thank you very much for coming across the river to provide your presentation today.

As a mayor of a municipality, what revenue-generating tools do you have in your tool box? Could you list what those are?

**Mr. Maxime Pedneaud-Jobin:** Very few.

[*Translation*]

So 87% of the City of Gatineau’s revenue comes from the property tax. That includes payments in lieu of taxes from the federal and Quebec governments. In our case, those payments from the federal government are significant, more so than for other large cities. Then there are user fees. Using an arena may be free for children or some clubs, for example, but adults using it have to pay a fee.

Basically, our revenue comes from fees and the property tax. There are other fees, like the development charges I was talking about a little earlier. But basically, our revenue comes from the property tax.

**Mr. Peter Braid:** Thank you.

[*English*]

As a city council, over what timeframe are you planning your capital projects? Is it over five years, seven years, ten years?

[*Translation*]

**Mr. Maxime Pedneaud-Jobin:** Normally, it is for five years. We are trying to extend that. One of the great advantages of the gas tax program is that it provides funding that is permanent and predictable for 10 years.

One of the major challenges facing the City of Gatineau was that we wanted to put a lot of effort into our infrastructure. As a result, any time there was a federal or provincial program, we rushed out to borrow money so that we could pay for our share of the program. So our debt got bigger but we could not plan to take on more debt for a longer time because we did not know whether the program was still going to exist the next year or in four years. This decision to make these programs permanent allows us to streamline our management.

[*English*]

**Mr. Peter Braid:** It must be very helpful if you're planning your projects over a five-year timeframe and you know to the penny what amount of gas tax funding you are receiving over that five-year period. That must be particularly helpful.

**Mr. Maxime Pedneaud-Jobin:** Absolutely.

[*Translation*]

It was an extremely significant step forward for cities.

[*English*]

**Mr. Peter Braid:** How is Gatineau using its gas tax funding?

**Mr. Maxime Pedneaud-Jobin:** We essentially dedicated 100% of the amount to water treatment facilities.

[*Translation*]

Does the $56 million come from Quebec City or Ottawa?

**Mr. Denis Tassé:** Actually, $53 million comes from the Government of Quebec.

**Mr. Maxime Pedneaud-Jobin:** Given that we had costed out our needs well and projected them over the long term, we received a contribution from the Government of Quebec, which, I believe, may have been in partnership with the Building Canada Fund. It allowed us to do up to $100 million worth of work in our plants. In a few years, all our plants will be repaired.

That ability to plan into the future is priceless. With the Building Canada Fund, we used everything we were able to ask for.

[*English*]

**Mr. Peter Braid:** One of the other flexible tools that we built into the gas tax fund is the opportunity for municipalities to bank their gas tax funding or to borrow against it. Have you ever used either one of those mechanisms, and are they helpful to you?

[*Translation*]

**Mr. Maxime Pedneaud-Jobin:** I do not think we have done so, but that kind of tool could be very useful. We can invest in the water supply, sewers and asphalt. But when you start talking about a plant, the costs are huge. We are talking about $25 million for a single project. So it is a useful tool.

[*English*]

**Mr. Peter Braid:** I have one final question for you, Mr. McBride. You said in your presentation that Canada has become a leader in the world with respect to P3 expertise and procurement. How has that happened? Why has that happened? How do you back up that claim?

● (1715)

**Mr. John McBride:** That's by the volume and the quality of the pipeline of projects, the number of jurisdictions that are involved, and the number of sectors. Why has it happened? That's for a variety of reasons. One is the creation of public sector expertise to do that, and leadership at the provincial level that has been then echoed at the federal level. There's also a commitment to open competition, an area that has brought international expertise and has helped to develop a strong Canadian industry as a result, and the uniqueness of capital markets.

What do I mean by that? We used to criticize Canadian banks for being conservative. They didn't lend long term against infrastructure projects, which created in Canada a unique project bond market, a unique capital market to support long-term infrastructure projects. Post-financial crisis, when European banks and others went down, the Canadian capital markets, through the regulatory strength that has happened here in Canada, survived and blossomed through that to continue to be able to provide cost-effective financing. People talk about the financing where this is less than 2% as the difference between the private sector financing and the public sector financing. It's less than 2%. It still can cost money.

We have rule of law, public sector expertise, competition, and capital markets.

**The Vice-Chair (Mr. Hoang Mai):** Thank you, Mr. McBride.

Thank you, Mr. Braid.

Mr. Komarnicki for the last question, you have five minutes.

**Mr. Ed Komarnicki:** I'll come back to Mr. Leclerc, but Mr. McBride, I have a question.

If I'm a municipality, I'm accustomed to maybe having an engineer telling me what I need, and then putting the thing to tender, and hopefully taking the reasonable bid, and building. When I hear you talking about contractual obligations and the complexities and how risk might be assigned to one party or another and one instance where risk wasn't assigned and they had guaranteed a loan, which removed the risk essentially, that's all somewhat complicated. Trying to determine the value of the risk and trying to determine the cost of financing are unknown territory to many municipalities, and so there's the fear of the unknown. Are you really getting value for dollars? It seems to me you need a lawyer who is familiar with contractual drafting. You need an accountant who will be able to crunch the numbers, and maybe you need a technical expert to understand the criteria and develop those. It's pretty complex. What can I as a municipality expect from an organization like yours in terms of assistance? You say to tell you what we want and you'll see if you can get it for us, but let's say I want a particular project. What can I expect from you if I'm a municipality?

**Mr. John McBride:** If you're a municipality, first of all I'll tell you to phone us and we'll talk to you.

We run annual investment rounds, so we'll take applications, and within three months we'll tell you, broadly speaking, whether or not your project makes sense as a P3. Then we will take you by the hand through the whole process.

We've done many projects like that. We have tools on our website, if you want to take a look at certain things. You can ask yourself 10 questions, and depending on your answers, you can get a rough estimate of whether you have something that would make good sense as a P3: here's what a business case would look like; here's how you go through it. We work with our clients all the way through. We've done that with 13 municipalities across the country. Right through the procurement process, we will share with you templates of things that have been done before. We'll say here's how Regina did their waste water treatment plant, and here are the contractual models. When we help people, they agree to give us all of the intellectual property for those things and we can share that with other municipalities so they don't have to reinvent the wheel in all of these kinds of things.

We have a roster of expertise. If you want to hire a lawyer, we've already pre-qualified people who have the type of expertise you can draw on. We can bring people right through that process and provide them with that type of expertise.

**Mr. Ed Komarnicki:** If I have a series of projects I know I need to do, we could ask whether any of them look like they might qualify or work, and if the answer is no, we'd use a traditional method, and if the answer is yes, we might want to explore it.

● (1720)

**Mr. John McBride:** Absolutely.

**Mr. Ed Komarnicki:** Mr. Leclerc, I left without getting you to answer, and I think I have enough time for you to do that.

Along the line of the gas tax fund, we appreciate a couple of things. One municipality may need a water treatment plant while another one may need something else. In my riding, one municipality built a water treatment plant, and another one applied under another program and was able to get funding for that. One has a heavy tax burden, and the other one has a lighter one. One beauty of the gas tax fund is that it can be allocated as needed. There are some core municipal needs that every municipality has, but they come up at different times.

It was mentioned by Mr. Braid that if you know you're getting a certain amount every year, you can actually go to the bank and borrow over the long term to get that project committed.

Do you see all those as positives? Perhaps you could make the comment that I never got you to make in the first five minutes.

**Mr. Patrick Leclerc:** It is positive. Again, we're talking about having the right mix of tools in the tool box. You need to have tools that will provide stability and predictability of funding. That's what the gas tax fund is doing. It allows flexibility to fund projects that are a priority as identified by the municipality. From our point of view, what was missing in the tool box was a dedicated and ongoing tool to specifically fund transit projects, and now we have that as well. The question is about the program design, and we'll be working with the government on that, but we're certainly on the right track.

**Mr. Ed Komarnicki:** For instance, when we look at national projects or regional projects, there may be a need there for applications to be made, to see which is the best, given a certain amount of funds. Is transit that type of project? When we're dealing with a core need, such as roads, water, or sewer, every community needs those things, so there's probably room for two types of funds, one like the gas tax fund, which is not specifically directed, and one that does need to be dedicated.

Is that your view of it?

**Mr. Patrick Leclerc:** Yes, it is our view of it as well.

**Mr. Ed Komarnicki:** Do I have more time?

**The Vice-Chair (Mr. Hoang Mai):** You're out of time.

[*Translation*]

I would like to thank the witnesses for coming to meet with us today.

On behalf of those who arrived late, myself included, I apologize. We were involved in a debate in the House.

[*English*]

I'd like to thank all the witnesses for coming here. It's really important for our study.

I'll ask the members to stay because we're going to deal with the budget for the study.

[*Translation*]

Thank you very much.

[*English*]

Colleagues, we'll deal with the budget for this study. You all received the budget.

We'll entertain a motion to move the budget.

**Mr. Mike Sullivan:** So moved.

**The Vice-Chair (Mr. Hoang Mai):** It's moved by Mr. Sullivan.

Is it the pleasure of the committee to adopt the budget?

(Motion agreed to)

**The Vice-Chair (Mr. Hoang Mai):** Thank you, colleagues.

The meeting is adjourned.