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Chair

The Honourable Judy A. Sgro

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● (1530)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call to order the Standing Committee on Transport, Infrastructure and Communities.

Welcome to the members, and our witnesses.

Pursuant to Standing Order 108(2) we are doing a study of the update on infrastructure projects and the investing in Canada plan.

On this first panel, we have with us the Association of Consulting Engineering Companies - Canada, John Gamble, president and chief executive officer.

From the Canada Infrastructure Bank, we have Janice Fukakusa, the chair. From the office of Infrastructure Canada, we have Glenn Campbell, assistant deputy minister, investment finance and innovation.

For the information of committee members, on the minister's website there is now the “Investing in Canada” report. I was going to print it out, but it is 70-some pages. I can direct you to the website if you want to print it out.

Mr. Gamble, I understand you will be going first. Please keep your comments to five minutes, so that the members can get their questions asked.

Mr. John Gamble (President and Chief Executive Officer, Association of Consulting Engineering Companies – Canada): First of all, thank you for the opportunity to be here with you. I should warn you that asking me about infrastructure is like trying to get a glass of water out of a fire hydrant.

The Association of Consulting Engineering Companies is the voice of consulting engineering companies across Canada. We represent more than 400 private companies, and collectively we employ about 60,000 Canadians. Our firms provide a wide range of engineering, scientific, managerial, and professional services to both public and private sector clients. As such, our member firms are involved with almost every aspect and every facet of public infrastructure in Canada.

We believe infrastructure is a core business of government and an investment in our quality of life. It connects and enhances communities, it enables commerce, and it protects the environment. We applaud the meaningful and significant commitments by several successive governments and the ambitious investments proposed by this current government. It is encouraging to us to see that all the parties are more or less rowing in the same direction on infrastructure. Commitments of seven, then 10, now 12 years provide the opportunity for owners of infrastructure to plan more effectively and manage their assets more effectively. It allows for the design and construction supply chain, including municipalities and public agencies, to more effectively manage and invest in their capital and their technological and human resources. However, there has been much discussion over the slower-than-anticipated pace at which investments are being made. This is a concern to us as well.

The government has noted that their funding regime is based on receipts received when projects are constructed. This is a fair and reasonable explanation. The government's new requirement for the provinces and territories to provide a three-year rolling forecast is prudent, and will be helpful going forward. It also appears that the bilateral negotiations with the provinces took longer than the government had initially anticipated. I suspect that the government is as frustrated as the rest of us. We are grateful and encouraged to see the recent wave of announcements of phase two funding.

However, while we remain confident that the government will eventually fulfill its current commitments to infrastructure investment, albeit much of it later than originally anticipated, it is also important that the commitments are not only long term but also timely and as consistent as possible. Both the investing in Canada plan under this government and the building Canada plan under the previous government are significantly back-end loaded, with most of the investments skewed toward the latter years of the program. The recent delays, while understandable and defensible, will even further back-end load the infrastructure commitments. This threatens to negate some of the advantages of making long-term commitments.

We are all trying to maintain our current workforce through this early period of relatively modest investment. Then, suddenly we'll all be charging up a hill with no idea of what's on the other side. Labour and materials will become more expensive because of intense competition. Approval and regulatory processes will become overwhelmed. Municipalities could have challenges with cash flow or meeting their contributions. Delays and overruns will become almost inevitable. The resultant business uncertainty may discourage private investment. The important economic and societal benefits of infrastructure may be delayed or—worse—unmet.

To help infrastructure in a timelier and more consistent manner in the short term, we recommend a re-profiling of the existing building Canada plan from the previous government so that investments can be made earlier in the program to help offset the recent profiling of the phase two investments in the last federal budget.

Our second recommendation is to begin planning and renegotiating the next generation of federal infrastructure investments prior to the expiry of the current programs. Gaps between programs result in layoffs and lost capacity and expertise, only to have to rebuild years later when a new program is announced. This applies to both us and our public sector partners. For example, after the expiry of the previous building Canada plan, there were three announcements over two governments. Each successively and legitimately claimed to be the largest commitment yet in Canadian history. However, over this same period we also saw our industry shrink by 15% as we waited for the funding to flow—a loss of much-needed expertise and capacity. Only recently have we started to rebuild that capacity.

In cases where municipalities have robust and well-considered asset management plans in place, we recommend providing funding based on their investment program rather than on a project-by-project basis. This would allow multiple strategically related projects to be approved under a single application. More importantly, it will serve as an incentive for municipalities to develop and adopt asset management plans to guide strategic investment decisions.

Finally, I would encourage you to look at the cumulative regulatory burden that can significantly delay or increase the costs of projects. Each year, all levels of government introduce new laws and regulation impacting everything from labour to licensing, from building permits to accessibility requirements. Each of these may individually be very sound policy, but there's rarely consideration of cumulative impact. In particular, you'll want to keep a very close eye on Bill C-69 regarding environmental impact assessments. Many provincial and municipal projects will likely fall subject to Bill C-69. While there is a lot more detail yet to come, there is a significant risk that unless Bill C-69 and its regulations are sufficiently clear and appropriately scoped, it may result in projects being delayed or not proceeding at all.

● (1535)

I would like to conclude by acknowledging that we are grateful for the significant investments by this and previous governments. It is a sound investment in Canada and Canadians. Notwithstanding the challenges of implementing and delivering programs of this magnitude, I believe we can all make it work, and the consulting engineering sector is here to work with you and help make it work.

Thank you. I look forward to your questions.

The Chair: Thank you very much, Mr. Gamble.

Now we'll move on to the Canada Infrastructure Bank and Ms. Fukakusa.

Ms. Janice Fukakusa (Chair, Canada Infrastructure Bank): Good afternoon, Madam Chair and committee members. I appreciate the opportunity to be here today.

I'd like to start with some context about the Canada Infrastructure Bank and then give you a brief update on our progress.

The bank was established in June of last year. Our purpose is to bring together government proponents of new infrastructure projects with private and institutional investors to get more greenfield projects built for Canadians. With our partners, Canada Infrastructure Bank plans to expand the way that infrastructure is planned, funded, and delivered in Canada. We will do this by engaging private sector partners early in the planning and design process; advancing revenue-based business models; and co-investing, alongside private sector and institutional investors and government partners.

The bank provides an optional tool to help public dollars go further, by attracting private investments into new, revenue-generating projects that are in the public interest. This can free up government resources for other priorities.

There are three distinct aspects to our mandate.

First is our investment role. The bank can invest $35 billion over 11 years in new projects. Our shareholder, the Government of Canada, has identified three priority areas for investment: public transit, trade and transportation, and green infrastructure.

Second is our advisory role. We will provide advice to government partners on the suitability of projects for revenue models and possible financial structuring.

Third is our data role. We will work with governments and public agencies to assess what infrastructure data and information is currently being collected across Canada. We will help identify gaps and work to fill them. The goal here is to enable informed decisions about infrastructure investments, based on evidence.

Today, governments contribute to infrastructure projects through direct grants or subsidies, or in the case of P3s, governments pay the private sector through performance-based contracts.

At Canada Infrastructure Bank, we want to attract additional private investment and expertise to new projects that may be close to commercially viable but not quite there. We'll do this by making the project structure work.

As a co-investor, the bank can inject capital or support at the right times to make the overall project viable for private sector investment. In our model, payments to private sector partners will come from revenue that's linked to usage of the assets. Revenue can come in many different forms, such as fees, tolls, fares, and also mechanisms based on appreciating land values.

In projects that are supported by the bank, the beneficiaries of a new asset or service will help cover the cost. Keep in mind that this approach does not replace traditional government funding for infrastructure, nor does it replace P3s. Our model will complement the existing funding models.

With respect to progress, our independent and very experienced board of directors was appointed on November 16, just five months ago.

One of the directors, Bruno Guilmette, temporarily stepped off the board to get the bank's investment functions up and running. Bruno has put a great deal of effort into designing our investment policies.

We have established priorities and budgets in our five-year corporate plan, which will be submitted to government for approval.

We are currently recruiting for senior management, professionals, and support staff. We currently have 17 employees and contract staff, including pending hires.

The search for our first chief executive officer is well advanced, and I expect a decision will be made soon. Recruiting the right leader, with very specific skill sets and expertise, does take a lot of time.

In closing, the bank is establishing a solid foundation of people, processes, and systems. This foundation is essential if we are to make responsible, long-term investments on behalf of Canadians.

Thank you. I welcome your questions.

● (1540)

The Chair: Thank you very much.

We're now on to Mr. Campbell for five minutes.

Mr. Glenn Campbell: I have no opening statement, but I'd be happy to answer any of the committee's questions.

The Chair: Terrific. Thank you very much.

Go ahead, Mr. Chong.

Hon. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Madam Chair.

Thank you to our witnesses for appearing today.

I want to provide a bit of context on why we're here today. We're here because the government knew full well last election, when it was talking to Canadians, that it's difficult to get money out the door. That's why they promised to ensure that every year, before the fiscal year ends on March 31, they would transfer lapsed money, which is money unspent, into the gas tax transfer, immediately topping it up, so that municipalities would have immediate cash to meet their infrastructure priorities. However, they didn't fulfill that requirement and not only that, they are missing their commitments on infrastructure spending in a very big way. Before we go down the path of explaining that away and saying that it's being lapsed and re-profiled, it is clear that a dollar spent today in infrastructure is far more valuable than a dollar spent 10 years from now. This is just like a dollar of GDP growth today, which is far more important than a dollar spent 10 years from now...the wonders of compounding.

We're here because the Parliamentary Budget Officer, who is an independent officer of Parliament, has pointed this out in numerous reports, most recently in the last week of March, saying that the government has drastically missed its infrastructure spending commitments. As a result, its own budget projections from previous budgets are way off the mark. Only 11,000 jobs have been created as a result of infrastructure spending and there has been one-tenth of 1% of GDP growth. In fact, by 2022, all that growth could be wiped out because of inflation and rising central bank rates. We're here to figure out why the government is not meeting its commitment to infrastructure spending and why it's not meeting its commitment to transfer money before fiscal year-end to top up the gas tax transfers.

This is not just an academic question. In its most recent review of commuting times, last November, StatsCan reported that commuting times are up in Canada and that the average commute has increased by 3%. Every day, some 16 million Canadians close their front doors and go to work, 12 million of whom are in our city regions, and their commutes are getting longer and longer and traffic is getting worse and worse. This is not just an academic question. There are real-life consequences on the ground. Billion of dollars in productivity are being lost in our large city regions. In the GTA today, the average commuting time is over an hour. It's not much of a problem for people living downtown. If you're living in Rosedale, the Annex, Cabbagetown, or Leaside, you can get downtown pretty quickly. However, if you're like the vast majority of the eight million or nine million residents in the GTA, you're spending hours in your car every day. It's really not just an academic question. It's a real challenge to understand what is going on and why the government is not fulfilling its commitments.

I would be interested to hear from you, Mr. Gamble, as to what is going on and what can be done about this. It's concerning. We're also not getting consistent plans from the government. Last month, they told the Parliamentary Budget Officer, who has the right to ask for this information on our behalf, that there were only roughly 10,000 projects to which federal money had been allocated. Last week, we were told that it's now 20,000 projects. Every three or four months, we seem to get a different plan for what is the government's largest decade-long commitment of some $180 billion. This is very concerning.

Mr. Gamble, could you comment on what you mention as the 15% shrinkage in your members' businesses over the last number of years? Could you talk about why the need is there now, rather than 10 years from now?

● (1545)

Mr. John Gamble: I won't presume to speak to the inner workings of Infrastructure Canada. It's beyond my expertise, clearly.

I would share your observation that dollars spent today are far more effective than dollars spent later. The point of the funding is not the spreadsheet; it's about actual, tangible assets creating wealth and opportunity. This is even challenged, even if they were on schedule —and with all due respect, even if your previous building Canada were on schedule.... We're still seeing those peaks and spikes, which are very difficult for us to manage.

Anything that would flatten that curve out would get more dollars into the economy quickly in the short-term stimulus, but probably more important are the benefits that last 10, 20, 30, 50, even 100 years, long after my members have gone, long after the constructors have gone, and these assets are in service.

Also, there is the economic consequence. You lose effectiveness of the investments as well if you have a doldrum, and then everybody is competing at once as we run up this ramp. It's not unique to the federal government. If somebody can figure out how to flatten out these curves and make them continuous, they should put that in a bottle and sell it. Lots of people would buy it.

What we're looking for is consistency, some level of predictability, as much as one can. As professional services, we can't put people in a filing cabinet and wait a few years while things are delayed. We have to make decisions that allow us to keep our businesses open and our doors open.

Our municipalities have to be able to manage this. I think this is often forgotten. The municipalities have to come up with the matching contributions in many of these programs. If all the availability for the assistance shows up at the same time, then we may not be able to get some projects out the door.

As I say, I am—

The Chair: Thank you very much, Mr. Gamble. I'm sorry, but time is up.

Mr. John Gamble: I warned you; I'm like a fire hydrant.

The Chair: We're moving on to Mr. Fraser.

Mr. Sean Fraser (Central Nova, Lib.): Thank you very much, Madam Chair.

Picking up on that issue, although I agree that investing today is a better way to approach this than kicking the can down the road, I don't share the doomsday vision that my colleague has laid out. I think that's why there was a phase one of the plan that invested in shovel-ready projects, with a plan to invest in the long term with certainty that it's going to help municipalities manage that cash flow.

On the issue of unspent funds, you specifically referenced the build Canada fund and suggested that it be re-profiled. In fact, this is a good example of money sometimes not getting spent. Could you explain that to me? You suggested it should be re-profiled. Did you suggest it should be into the existing programming of the new 10-year plan that we're discussing today?

Mr. John Gamble: First of all, as far as I'm concerned, there are no villains in the room. You've all made significant investments, and we're grateful for that, but we all want to do better.

To your specific point, the investing in Canada plan was basically built on top of the building Canada plan. To the credit of the current government, they continued that program, but even in its initial incarnation, it was very much back-end loaded. It started off slowly and went up the ramp. Now we have a secondary program on top of it.

If we can use some of that commitment.... That's done. That program is in place. If the finance minister, or whoever you need to speak to in cabinet, can reallocate some of the funds that are flagged for the latter half of the program and move them into the current years of the program, it might balance out some of the spikes and valleys and make up for some of the lost ground on the current programs.

● (1550)

Mr. Sean Fraser: Do you think there's a risk of a bottleneck with the provinces' and municipalities' ability to come up with their share of the project if we put more of the resources in the front end?

Mr. John Gamble: Not necessarily, if you do it in an orderly way. I think what will be a bottleneck is these two spikes coming five years out from now, when both programs are going to be ramping up to their full stride. That's when I'm more fearful of a bottleneck. At least here we have the luxury of time to manage that bottleneck.

Mr. Sean Fraser: Sure. Thank you very much.

Shifting to Ms. Fukakusa, I have a few questions about the Infrastructure Bank that I'm hoping you can offer comment on.

I recall seeing estimates in the news about a year and a half ago suggesting that the amount of private capital tied up in negative yield bonds worldwide is somewhere in the range of $16 trillion. To me, it says that, if you're looking for a reliable rate of return, this is a huge opportunity to really build out some pretty big projects.

Is this bank going to allow us to tap into that to get more built? Is the involvement of the private sector going to allow us to get more built faster?

Ms. Janice Fukakusa: I would say yes to both of your questions.

When you look at the amount of capital that is looking for very solid long-term returns, infrastructure is a natural asset. At the bank, early on in the process, we will look at how the project is structured, where the risks are, and where there are areas that make the investment not investable because of the fiduciary responsibility a lot of the pension funds, for example, have. We will diffuse that risk, targeting the capital that we have diffused that risk for, so that we can actually smooth out the risk and get the investors in to increase the amount of funding that's going into infrastructure, because these funds are not there now.

What I would say about the process also in terms of getting things done faster is that the intent is to get involved very early. We would have very good capability. We're building our capability and our number of people in terms of doing diligence right at the front end to identify where there could be possible turns in the road and where we could go in on it on a faster basis. With respect to the private sector investors, they will also have private sector diligence. So we'll get the benefit of a lot more diligence at the front end so that we can plan and execute on a faster basis.

Mr. Sean Fraser: Is there any limitation on who the customers are who are going to be paying the revenue essentially? I'm thinking right now that, as an example, you mentioned tolls would be one way to generate revenues. Due to certain political realities, a lot of folks in different levels of government are afraid of putting a toll on the public, but I've heard a number of different kinds of proposals around the use of a shadow toll, a financial arrangement in which, let's say, a province building, a toll bridge, or a highway could amortize the cost over time, keep track of the use, and pay back the private sector investor. Is that kind of project in theory eligible under the programming of the Canada Infrastructure Bank?

Ms. Janice Fukakusa: I think the revenue stream should ultimately come from the usage of the infrastructure. There may be instances in which revenue streams are not certain over a given period of time, such as right at the beginning, so we'll look at all those sorts of situations in determining where we can be of assistance in structuring.

Mr. Sean Fraser: There's a lot of talk around the transformational nature of the potential projects the bank could tackle, which is fabulous, but I'm also wondering if there's any possibility of having smaller projects that would potentially be bundled together and sold almost as a package to investors. Is that something that's even on the table with the bank?

Ms. Janice Fukakusa: We're looking at all of those possibilities and we have had a lot of outreach. Particularly if they're very similar and can be rolled out, that's a good way to satisfy all different types and sizes of communities.

Mr. Sean Fraser: And that would in theory help mitigate the risk on any given project as well.

Ms. Janice Fukakusa: Yes.

Mr. Sean Fraser: I think that's more or less my time.

Thank you very much.

The Chair: Thank you, Mr. Fraser.

We go to Madam Sansoucy.

[*Translation*]

Ms. Brigitte Sansoucy (Saint-Hyacinthe—Bagot, NDP): Good afternoon.

I'll be splitting my time with my colleague Robert Aubin.

[*English*]

The Chair: Mr. Aubin, welcome back.

[*Translation*]

Mr. Robert Aubin (Trois-Rivières, NDP): Thank you.

I have a few quick questions for Ms. Fukakusa.

I'm going to use a specific example, which should provide a comparison everyone following our proceedings today can understand, especially those in Quebec and Ontario. Via Rail is planning a terrific project, a dedicated passenger rail track for the Quebec City–Windsor corridor, one of the most densely populated corridors in the country, if not the most densely populated. A comparable project is the Réseau express métropolitain, or REM, in Quebec.

To what extent would potential customers benefit from having the Canada Infrastructure Bank finance the project? If the government were simply to finance the project with taxpayer money, the borrowing rate would be around 1.5%. In contrast, private investors working with the bank will expect a rate of return in the neighbourhood of 7% to 9%.

● (1555)

[*English*]

Ms. Janice Fukakusa: That's a great question. I can't speak specifically to those two projects, but I can speak to the fact that when you attract private funding, the objective is to get sources of capital in addition to the government for building out that sort of infrastructure. It would be a case of looking at risk profiling, looking at the benefits and at how the return can be acceptable for our citizens as well as acceptable to the pension fund. It is a balancing act, and part of why we're there is to look at the public interest along with the government.

[*Translation*]

Mr. Robert Aubin: I have two other questions.

Again, we can consider the two projects in parallel, although they are different.

When people first heard about the REM plan, just about everyone supported it. As project details emerged, so, too, did some criticism over the route and community benefits. The cars are going to be built in India, for instance.

When the Infrastructure Bank of Canada leads a project, what parameters will you follow to maximize benefits to the community? What parameters will you follow to make sure you don't work with private investors and companies who do business with tax havens, for instance?

[*English*]

Mr. Glenn Campbell: Given that this is more of a policy question than an infrastructure bank question, I'm happy to answer it.

In the first instance, the Canada Infrastructure Bank is a tool for governments to use to help fund projects. It's the government sponsor and its proponent that lead an infrastructure project. The bank is there to help where appropriate and to crowd in private capital if the model fits. Making decisions that pertain to procurement, local regulation, and how that's being built are really the domain of the government sponsor of that asset, wherever it may be, and of course, it's better for us to deal in hypothetical terms rather than talk about any specific project.

[*Translation*]

Mr. Robert Aubin: Thank you.

I'll now turn the floor over to Ms. Sansoucy.

Ms. Brigitte Sansoucy: My question is for the chair of the Canada Infrastructure Bank, Ms. Fukakusa.

On March 19, the office of the Parliamentary Budget Officer asked the Canada Infrastructure Bank to provide a list of planned infrastructure projects by March 31, 2018. According to the 2018 budget, the Canada Infrastructure Bank will spend $149 million on infrastructure projects in 2017-18.

When officials from the office of the Parliamentary Budget Officer appeared before the committee on April 16, they told us they did not know why the Canada Infrastructure Bank had not responded to their request.

I'm not sure whether the committee clerk has received an update since, but given that you're here, can you tell us whether you provided the requested information to the office of the Parliamentary Budget Officer, and if not, why?

[*English*]

Ms. Janice Fukakusa: I confirm that we have now sent the information to the parliamentary budget office.

I would say that part of it is the start-up nature of the bank, so we received the request through a general line. We were discussing it with the ministry because everything like that is quite new to us, and the ministry has been very helpful.

With respect to the funding, as I said, we have had a board appointed for five months now. We're in start-up mode, and we're trying to build—

[*Translation*]

Ms. Brigitte Sansoucy: Sorry, but I have to stop you there.

I have another question, and if you don't have enough time to answer, I'd appreciate it if you would send the information to the committee in writing.

You mentioned your board. The government committed to a transparent selection process regarding the board. Could you describe the selection process that led to your appointment and that of your fellow board members? If we run out of time, could you kindly send the answer to the committee in writing?

● (1600)

[*English*]

Mr. Glenn Campbell: We're happy to follow up, given that the board members were Governor in Council appointees. They were appointed on behalf of the minister. If there are any questions pertaining to that process, we're happy to provide to the committee, via the department, information on how that process unfolded. As someone who was involved, I can reiterate that it followed the new transparent process. It was publicized to Canadians, had open applications, and had meritorious and representative selection. It led to having a suite of very capable Canadians on the Infrastructure Bank board.

The Chair: Thank you very much.

We're now on to Mr. Badawey.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Madam Chair.

I want to preface my comments by saying that this is one of the reasons I ran at the federal level. I was a mayor for 14 years. There was a great frustration with the last government, with respect to the disconnect between the local level and the federal level, and with that, some of the programs that were brought forward. I have to disagree with the comments made by Mr. Chong, a member of the official opposition, with respect to his earlier comments in where this is leading; why we're going down this road; the benefit it's going to place on local municipalities and private sector; the outcomes it's going to accrue over time when it comes to our economic growth; as well as, quite frankly, creating jobs and ensuring that projects get off the ground to do just that.

The government has, in fact, approved more than 4,000 infrastructure projects across this country since the fall of 2015, with a combined investment of more than $35 billion. Those projects are already creating economic growth and opportunities for Canadians. They're building healthy, livable, and sustainable communities. Re-profiling the dollars within the years of our plan is an issue of cash flow management, not one of lack of activity.

Our government has now signed bilateral agreements with seven provinces and territories that now have long-term, sustainable, and predictable funding. Through these agreements, our government will invest $33 billion to improve public transit and communities to reduce congestion and pollution, to invest in green infrastructure to make our communities more resilient to climate change, and to invest in cultural community and recreational infrastructures to build healthier, more inclusive communities. Our government is investing $2.4 billion in rural and northern communities to support them in a way that they were never supported by the previous government, as I mentioned earlier.

Going to my earlier comments, the new plan is not a one-third, one-third, one-third plan like previous governments had offered, therefore having “have” and “have-not” situations. We had some communities— most communities—that couldn't afford to participate in some of these programs because of the expected one-third contribution. The new investing in Canada plan that we're proposing, with the federal level investing up to 40%, 50%, to 60% for some projects, eases the burden of municipal partners. This now leads me to some of my questions.

Mr. Fraser mentioned bundling and ensuring that the partnerships that we're trying to create through this program happen—especially with the infrastructure bank—and that they're realistic.

My first question is to the infrastructure bank folks. Will you actually encourage, first, the bundling of projects? Therefore, we get a greater rate of return, a greater clustering being created in certain parts of the country, especially as it relates to trade corridors that are economic in nature.

Second, are you encouraging bundling that may be binational? Investment coming in from the United States that is transportation related.... It may be a bridge, it may be a road, it may be a cluster of business opportunities between two or three countries. Are you encouraging that kind of investing as well?

Ms. Janice Fukakusa: That's a very good question. In terms of bundling, our expectation is that the municipalities or other governments would come to us with the suggested bundling. I think that one of the areas of bundling is that you have to recognize what is common, what can be done together, and how you can speed up the development. When we look at projects, we're looking at a lot of the sponsorship coming from the different levels of government and the different users of the infrastructure in order to bring those ideas forward, so that we can match those ideas with the appetite for private investment and feasibility. It is about getting a groundswell from the communities going forward, which is what we're here for: to build the infrastructure for our Canadians. With respect to the cross-border issue, I would say that the infrastructure is, generally speaking, for Canadians.

Glenn, you may have some views on the public policy nature of that.

● (1605)

Mr. Glenn Campbell: The act stipulates that the Canada Infrastructure Bank can support a project that is in Canada, or partly in Canada. Clearly, that's intended to capture, in certain circumstances, where we have borders with an important neighbour. There may be an infrastructure asset that attaches those two, so that's permissible.

I have a comment on bundling. The Canada Infrastructure Bank model is designed to attach, not just an investor, but the private sector to a project. Thus, for a rate of return, they're also going to participate in extracting the efficiencies in building, managing, and operating that project. Bundling has been a challenge, even though it's something the bank's going to look at. The more you group assets that are, perhaps, dissimilar, the more you detach the risk transfer from the investor to the actual project. This is something a lot of governments are looking at. I think the Infrastructure Bank and the ministry are also looking at the prospect of bundling, particularly for smaller projects in the future.

The Chair: Thank you very much.

We'll move on to Mr. Hardie.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you, Madam Chair.

Welcome to our witnesses.

Ms. Fukakusa, you indicated that the Infrastructure Bank would operate somewhat differently from the P3 that some of us would have experienced in some of our past lives. What would the difference look like?

Ms. Janice Fukakusa: I think the major difference is that the private sector, in terms of the investors who are there with us, is earning its return from use of the asset, so it's not like a transfer payment in terms of performance. It's more about the private sector taking on those risks. It is a different tool than the triple-P tool because it accommodates the revenue-generating nature and ensures that investors are getting returns from the revenue-generating nature of the project.

Mr. Ken Hardie: Digging a little bit more deeply into that, would you not be concerned that the public might fear turning over the cost of a toll on a bridge or a transit fare to be set by the private sector?

Ms. Janice Fukakusa: The actual rate of tolls and fares is part of the public interest test, and it wouldn't.... The flip side is that the investors would not be setting the tolls because that would not be in the public interest. That wouldn't be how the project is structured. I think it's about sharing the tolling.

Mr. Ken Hardie: In a normal P3, at least the ones that I've observed, there's a transfer of risk from the public sector proponent to the private sector that's involved either as a design-build, or as a design-build-finance-operate kind of model. We have seen in the past that the payoff is that the public gets a project delivered on a specific time at a fixed budget and the return for that is that we pay a little extra through higher interest rates, etc. Is this how you would see the trade-off working with the Infrastructure Bank?

Ms. Janice Fukakusa: The trade-off is like that, but I think that the fact you have all the parties at the beginning is a recognition of the distribution of that risk and the diligence around what is acceptable. Also, the Infrastructure Bank is there to judge the acceptability of the private sector in saying these are the sorts of returns they want in the overall public interest and in what can be accomplished. It's keeping everyone at the table honest to make sure this is a good deal for Canadians.

● (1610)

Mr. Ken Hardie: By good deal, would you foresee the average project financed through the Infrastructure Bank coming in at a lower public cost than, say, the standard P3?

Ms. Janice Fukakusa: It may or may not. The real value would be to get additional capital into infrastructure investments.

Mr. Ken Hardie: Mr. Gamble, you mentioned the awarding of certain projects to a municipality might be a reward for a municipality that has a very good asset management plan, if I heard you correctly. You can expand on that a little, especially for my colleague here, who has certainly lived that kind of planning process in the past, but I'm wondering if a municipality should do other planning to be similarly rewarded.

Mr. John Gamble: I think the asset management planning is absolutely critical because it's requiring the municipality to take a long-term view of their municipality and their needs and their vision for their own community. Then they would plan a road map, figuratively speaking, about what assets they need to put in place. These pieces all fit together. The municipality can invest with much more confidence if they know the next piece is coming because a lot of these things are interrelated. Population growth is going to create more traffic, which requires more roads, more public transit, more bike lanes, what have you. It might require more intensification. These in turn impact on water and sewage system demands, power grids, and so forth.

Mr. Ken Hardie: What you're basically saying is that a proper land use and population distribution plan goes above and beyond just putting money aside to replace the sewer line one day?

Mr. John Gamble: Absolutely. The asset management plan is the outcome of prudent planning by municipalities that are very focused on infrastructure needs. It also—

Mr. Ken Hardie: If I can, though, in the time I have left I'll ask you, how does the current plan harmonize with that vision of the way to fund infrastructure?

Mr. John Gamble: Again, I'm not getting into the details of the application process, but traditionally, application processes at all levels of government across this country have been very project focused. It's about getting this project done and getting it in the ground, and this led to what you'll see colloquially described as somebody paving a road, and a few months later someone comes in and puts in a water main.

What we need to do is make sure that there is a longer-term vision. Some cities have very good asset management plans, and if they have a good asset management plan, let them run with it. If they don't, then maybe you have to be a little more prescriptive in the application process, and perhaps you have to be a little bit more rigorous in the screening of the project to see that they've done the due diligence.

One point that I think is important about an asset management plan is that it also makes you contemplate the life-cycle cost, or what I prefer to call the “total owner cost", of operations, maintenance, and what you do after its useful design life. Do you rehabilitate it or retire it? These things are often considerations that, under traditional granting programs, are about getting the shovel in the ground, and then instead of NIMBY we have NIMTO—not in my term of office —with respect to how it gets paid for over the next 20, 30, 40 years.

The Chair: Thank you very much.

We're now on to Mr. Chong.

Hon. Michael Chong: Thank you.

Congratulations, Madam Fukakusa, on your appointment to the Canada Infrastructure Bank.

In principle, I think infrastructure banks can make sense and can work, but I think they only work if one principle is abided by, which is that all the revenues and all the expenses are private sector. In other words, in return for getting a steady stream of revenue over a fixed period of time from tolls or user fees, the private sector steps in and makes the financing decisions and undertakes to finance the project. I get nervous and skeptical when we mix public sector and private sector funding, because I think that leads to risk for Canadian taxpayers, and it leads to profits for the private sector. I think you mentioned in your opening remarks that one of the things the bank is about is attracting private sector investment to projects that are not currently commercially viable, and so there's a reason why the private sector isn't funding them. I think by mixing that blend of private sector and public sector financing, we're going to socialize risk and privatize profit.

There are two examples in this town over many years, both under previous Conservative and Liberal governments, that are demonstrative of that. We privatized a portion of the Canada pension plan for Canadians through the CPPIB, and today that fund, which manages about $300 billion, has about $200 billion in MER, which is three-quarters of 1%. This is far higher than passive funds like Vanguard, which are one-tenth of 1% or maybe one-fifth of 1%. Essentially we're giving people $1.5 billion to $2 billion a year to actively manage these funds, which are Canadians' money, without evidence that they're going to do a better job than a passive fund. The evidence, the economic research that I've read, says that active managed funds underperform the market in the long run in every instance. This is an example where the private sector has stepped in to manage what was being managed by the Government of Canada, and it has cost Canadians a lot of money—$2 billion-plus a year in management fees. The average executive there is paid well over $3 million a year in compensation to manage a public pension fund.

For CMHC, we have massively privatized profit and socialized risk. In fact, arguably we've probably created one of the biggest housing bubbles in the world through this program over many decades. It's a half-a-trillion-dollar behemoth in this town that gets very little scrutiny. It underwrites about a third of all Canadian mortgages, and arguably the reason why the banks have been so eager to issue mortgages is that a lot of the risk is on Canadian taxpayers.

I'm skeptical about this blending of private and public funding for the Infrastructure Bank, and maybe you could address some of those skepticisms.

● (1615)

Ms. Janice Fukakusa: I can't speak to the examples you gave, but what I can speak to is the fact that it is not a partnership through the life of the asset. A lot of the private investors are unwilling to take the risk involved in getting the asset up to speed in generating revenues, and that's where the analysis and the risk diffusion can take place.

The intent is about getting more dollars invested in Canadian infrastructure for Canadians. We would set the conditions whereby we can attract that capital by diffusing the risk at certain instances. It's not, then, about side by side so much as looking at the risks involved in getting a particular infrastructure project up to speed and how we can facilitate that capital coming in. I would say the intent is to get more dollars of infrastructure working for the taxpayers.

Hon. Michael Chong: Unless we have a commensurate amount of profit being generated by these projects, what's to offset the risk of our getting involved in projects where the private sector plays a role in financing them and where currently they don't feel it's commercially viable?

At the end of the day, unless the Infrastructure Bank is going to start operating like a private sector arm's-length crown corporation with a mandate to make money and return that profit to Canadian taxpayers, all I see here in its early days—and these are early days, and we wish you well in your endeavour—is that we are taking on risk. There are going to be profits generated, clearly; otherwise, the private sector would not get involved. Where is our profit that could be returned to taxpayers for taking on that risk?

That's really the heart of the question here. As I said, these are early days, and we'll have to see what the details of the granting and loan programs are when they are finalized.

The Chair: Please give a short response, if possible, Mr. Campbell.

Mr. Glenn Campbell: Thank you for the question. It pertains to the policy behind the bank.

Just to reiterate, it is another tool for governments to use in partnership with other governments to crowd in private sector capital. Chair Fukakusa can talk about why we need an arm's-length entity with our own private sector experts to advise governments in that regard.

It is still a partnership about public assets, so this is not privatization. It's partnership on assets that may not have been built, or if you could attach a revenue model, there will be revenue distributed. Also, the bank is about transferring risk to the appropriate parties, including the private sector.

The Chair: Thank you very much.

We are on to Mr. Sikand.

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): Janice, my questions are going to be for you. I already apologize if there is some duplication.

I understand that the Canada Infrastructure Bank was established to provide low-cost financing for new infrastructure projects. As my colleague pointed out, the Liberal side ran on this. The foresight into this implementation was for the federal government to use its strong credit rating and lending authority to make it easier and more affordable for municipalities to build the projects their communities need.

You said in your opening statement that the bank was established last June. Since then, what has been done to generate interest in the partnerships?

● (1620)

Ms. Janice Fukakusa: We have been receiving quite a lot of inbound on all sorts of projects, partnerships, and all of that. June was when the legislation was approved, so I would say we began operating and setting up the bank in the fall, setting up a pretty good and solid foundation, as I said.

We're at the point where we are looking at a lot of the inbound and where those partnerships are. All of that is happening real-time, and I'd be happy to come back to this committee after we have gotten established and speak more to the tangibles we're achieving.

Mr. Gagan Sikand: How does the bank select potential stakeholders?

Ms. Janice Fukakusa: In partnership with the government, we look at the public interest test. What we're finding, though, is the stakeholders are selecting themselves and coming in with partnerships, which is the best thing to do, because then you can optimize what each brings to the table.

I think there is so much demand—as you've heard about here—for an infrastructure and so many different participants that likely the velocity will increase as we become more up to speed.

Mr. Gagan Sikand: You mentioned you're getting a lot of inbound. What are the types of incentives that would actually create such interest?

Ms. Janice Fukakusa: There is a lot of infrastructure need, and not a lot of funding. This is another tool in the hands of the government at accelerating that investment. You've heard a lot about the demand for infrastructure, and it is about getting more funding available.

Mr. Gagan Sikand: Thank you very much. I'm going to provide some time to my colleague, Mr. Badawey.

Mr. Vance Badawey: Thank you.

To all three of you, there are many programs that are available, and I'll explain it using layers. At the municipal level, there are different incentives, whether it be community improvement plans or gateway strategies. I know where I'm from, being a border community, we have a great gateway strategy, and it offers incentives. Ontario also offers us the ability to incentivize the private sector in bonusing, which is not legal under the Municipal Act.

I'll now jump to the provincial level. At the provincial level, there are other programs available: the RED program, training programs, and capital programs. There is an infrastructure bank, as well, Infrastructure Ontario. That's the second level.

Jumping to the federal level, we have different programs, whether it be infrastructure programs that can be applied for, or whether it be an arrangement through the Infrastructure Bank.

All that being said, my question to all three of you, is stacking allowed? Is it allowed for a proponent, the municipality as well as the private sector, to come in and stack the different programs, so that they can get their hands on more capital dollars as well as offering to their asset management a better environment for debt financing, and, of course, ultimately a better incentive to attract the economy here to Canada?

Mr. Glenn Campbell: That's a policy decision, and on a case-by-case basis, yes, that's possible. If you had a municipal asset, for example, and there was a local decision to bring it forward and applicable under this model, then it's quite possible if there was not sufficient revenue forecast to cover that particular construction and operation that the governments would need to support it.

That's where the municipal, provincial, or federal government—in this case it would be through the Infrastructure Bank—may contribute capital support or ongoing support to that project. It really is case by case, and the objective is to crowd in both private capital and government cost-sharing.

The bank, in many cases, is substituting for what otherwise would have been 100% government funding, so there's an option. The question earlier was, what's the incentive? Given that there's not a specific allocation for any municipality or province, should they use this vehicle, and be able to crowd in support, they get additional capital.

● (1625)

The Chair: Mr. Liepert.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Mr. Gamble, this is a little bit off topic, but I think I'm the only representative here from Alberta. I hear lots of stories, whether they're true or not, about the whole engineering industry in Alberta, and where it's at these days.

Can you give me an overview of the Canadian operation in Alberta? Are there some things we should be looking at that we're not currently looking at today?

Mr. John Gamble: There's no question, our members in Alberta have had a particularly difficult time because of, first of all, the fall in commodity prices, and particularly, but not exclusively, the price of oil and, to some degree, mining. A lot of firms that provide consultation to the mining sector are based in Edmonton. On top of that, you lose some of the municipal tax base that would help contribute to some of these agreements, so they really got it from all sides.

In terms of those who are doing public projects, for the first time in a long time they seem to have levelled out. For several successive years, we were seeing a decrease in their numbers and this year, they're actually projecting about a break-even. This is based on, in fairness, some of the money that's starting to come through the system, and so forth.

That will be helpful, and again, if we can flatten that curve out, instead of supercharging the economy and having the floor drop out, that will certainly help. Of course, a lot of these firms don't do municipal projects. They provide consultation to the mining sector, oil and gas, manufacturing, and what have you. Without a robust resource sector, they aren't going to come back, and we need to find sensible, pragmatic ways of supporting our resource sector.

If I can do a little commercial, and I know I've spoken to at least a few in this room, we're really trying to push this notion of a national corridor where we can pre-approve some of the macro-approvals where the resource sector, or even public proponents, can act as tenants. This was a vision that Major-General Richard Rohmer had back in 1967, so there's your heritage moment. I could certainly share our views. The University of Calgary is doing some research in that very area.

Mr. Ron Liepert: I want to ask you one quick question. You mentioned Bill C-69. Give us a few of the areas that you feel could negatively impact your industry as you outlined at the beginning.

Mr. John Gamble: At this juncture, there's really a lack of clarity. If you read it, it's a very inspirational or aspirational piece of legislation. There's nothing in there that's a bad idea.

Mr. Ron Liepert: Oh, I would disagree with that.

Mr. John Gamble: What we need to determine is whether it is practical. Is it something that should be done through projects? Is it too broad? You set a standard for us as engineers, and we'll meet it. Now we have members who do environmental assessment. In my background, I used to write them in Ontario. You look at the economic benefits, which is great, because these things are all connected. Our concern is that we aren't sure what some of the criteria mean yet, and our concern is whether it's going to create policy debates in what should be an approvals process. That's probably our biggest concern, and we want the objectivity and the predictability of the criteria. There are elements in it that are very commendable, such as the deadlines. As I say, there are commendable elements to it, but the devil is in the details. It's one of those things, and you might hit this side of the mark. If the regulations are complex and leave a lot of uncertainty, then you're not going to see investment.

The Chair: Thank you very much, Mr. Gamble.

Thank you very much to the witnesses. I think that was a really interesting hour.

We will suspend so the witnesses can leave and our next witnesses can join us.

● (1625)

(Pause)

● (1630)

The Chair: This will be a 45-minute session as we have committee business at the end. We will have five minutes each and we'll do our best to get everybody in.

We're going to start with the City of Surrey, with Mr. Smith, general manager, engineering.

Welcome. I see Mr. Lalonde is not here yet, but perhaps you would like to lead off.

Mr. Fraser Smith (General Manager, Engineering, City of Surrey): Madam Chair and honourable members of the committee, I am Fraser Smith from the City of Surrey. I'm the general manager of engineering, coordinating our work on our light rail project. I'd like to thank you, Chair and committee members, for inviting Surrey to appear in front of you today. Vince will be joining us in just a minute.

I'm not sure if you have our slides. Those are Geoff Cross's slides. We sent in four slides as well.

● (1635)

The Chair: We have it printed out in front of us and it's apparently behind us as well.

Mr. Fraser Smith: Perfect. I'll just speak to what you have in front of you then.

Again, thank you, and I'd like to take a moment to introduce the City of Surrey to the committee. We're a city of 520,000 people and growing very fast. In fact, we are one of the fastest-growing cities in the country, and approximately 1,000 new residents arrive each and every month to the city. We'll be growing from our current population of 520,000 people to over 850,000 in the next 25 to 30 years, surpassing Vancouver as the most populous city in British Columbia.

We're also a young and diverse community, both culturally and in economic terms. One-third of our population is under 19, a growing trend that will support our good public transit system.

On slide 2, we can show graphically what our community is. We're in the lower mainland of the Vancouver area. There are 21 municipalities in Metro Vancouver, and Surrey is the largest at over 315 square kilometres. That's bigger than Vancouver, Burnaby, and part of Richmond combined. We're well-connected to the Asia-Pacific gateway, and to the U.S. border, having the U.S. border in the southern area of our community, with the second-busiest truck crossing in the nation.

This context highlights the significance of immediate infrastructure needs facing Surrey and the Metro Vancouver area, and the necessity for meaningful partnership with senior levels of government. Municipalities need the provinces and the federal government to support and move forward on growing infrastructure for our community and for the nation as a whole. The investing in Canada plan provides a framework for that collaboration, and the early funding of projects in Surrey has already flowed and has been very beneficial.

Slide number 4 is an overview of our project which is focusing on the Surrey light rail project, but I'd also like to highlight a number of infrastructure projects that have recently been completed or are currently under way with support from the federal government. Those are identified as the stars on your map, on slide 3, and include the Museum of Surrey expansion, the Surrey Art Centre upgrade, and the Cloverdale Athletic Park and field house construction. We'd be happy to speak to those later on if there are specific questions.

We'd like to highlight our light rail project, which is shown in red. The first phase of our 27 kilometres is 10.5 kilometres and that is in the upside-down “L” shape that you see on the map; and the long section going from the northwest to the southeast is the second extension, 16.5 kilometres, and that goes from Surrey into the township of Langley and the city of Langley as well.

The mayors' council vision calls for construction of the 27 kilometres to connect our communities with both Langleys but also our town centres in Guildford, Newton, and city centre.

Our last slide basically talks about our collaboration with TransLink that we've been doing for quite a number of years now. I also want to highlight what's happening in our community as far as expansion is concerned. We'll be able to serve an additional 200,000 people who will be within walking distance once the light rail project is completed. Since 2006, Surrey and TransLink have collaborated on planning and delivering the light rail early works program funded through PTIF for phase one.

To date, contracts have been let on three early works projects and the fourth one is being tendered. The three early works projects under construction right now include the Bear Creek Bridge replacement, which is replacing a bridge on a six-lane road; extension of the trunk storm sewer at 104th Avenue, valued at about $7.5 million; a new water main in another location to free up space in the road corridor for the light rail project, valued at $2.9 million; and finally, our fourth project, which is relocating some BC Hydro transmission towers, estimated at a cost of about $2.83 million.

These projects are critical to the smooth transition and cost-effectiveness of delivering our larger light rail project, which we're hoping to go out for concession on later this year, and then for the project to start in 2019.

In summary, the construction of the early works is well under way and all the projects are scheduled to be completed by the end of 2018, which will put us in fine form to go on and build the first 10.5 kilometres of the light rail project.

We're happy to answer any questions you may have on our project and where we're at, at this time.

Thank you.

● (1640)

The Chair: Thank you very much, Mr. Smith.

We'll go on to Geoff Cross, vice-president, transportation planning and policy, TransLink, from New Westminster.

Welcome. You have five minutes, please.

Mr. Geoff Cross (Vice-President, Transportation Planning and Policy, New Westminster, TransLink): Thank you, Madam Chair and members. I'll try to be faster than that.

It's an honour to be here to speak about this critically important set of programs for TransLink.

TransLink, as I think you're aware, is the regional transportation authority for Surrey, 20 other municipalities, one first nation, and one electoral area, containing roughly 2.6 million people in the Lower Mainland. We are responsible for both the planning and the management of the movement of goods and people. That includes major roads, a significant number of bridges, the planning for public transit and regional cycling, as well as the delivery of public transit.

Traditionally, federal programs, whether predecessors to the building Canada fund, which is this one, or the investing in Canada infrastructure program, have been critical for us to meet our big city needs, which have very significant infrastructure requirements. As well, there is the role we play as a gateway city to make sure that transportation moves, for people, the economy, and goods.

I'd like to speak a little bit to the public transit program that has been announced and is now flowing and a little bit on the trade corridor fund and our experience with it so far.

We are really ramping up. I'm delighted to say that we are on pace to allocate almost all of the public transit funds that were identified in the federal program, over 11 years. We have the benefit of having a 10-year multimodal vision for the region to get on track to accept the next 1.2 million people who are coming to Metro Vancouver and to make sure that the economy is moving.

We had some pieces in place when the new public transit infrastructure fund was announced and the dollars started to flow in 2016. For us, that bifurcated program whereby upgrades and modernization can be undertaken was very helpful, in that we were able to bring forward projects that were close to shovel ready. They take some time even to go through procurement, etc., as compared with some of the larger projects that Mr. Smith talked about, which take a number of years once the funding puzzle is in place.

This is an overview of the first phase that Mr. Smith talked about, the work that's going on in Surrey. There was a broad range of projects that met the criteria for this “state of good repair”, modernization, and upgrade program.

I'm happy to report that of the $740 million of projects for which the federal government is providing half, 53% are already under contract and so are well under way, for such things as fleet—new SkyTrain cars and a new SeaBus. We've already spent about $157 million of it, and we expect that most of the contracts will be placed by the end of this year. We are on pace to spend all of the $740 million by the March 31, 2020, deadline.

There's a really nice segue in that. You can see that we are planning for both the Broadway Millennium Line in phase one as well as the Surrey LRT. These kinds of projects take significant time to get ready for procurement, roughly $20 million to $25 million of work, which was partially funded under this PTIF program. We're now at a stage at which we have put business cases in to the federal and provincial government, knowing what the costs are going to be and what the full scope of the project is. The federal dollars, through the PTIF program, act as a catalyst to bring the province and the region together to pull all of the funding that's necessary for us to have a fully funded plan.

One difficulty and one benefit of the way TransLink is structured is that we put together 10-year capital and operating plans that are fully funded over the 10 years. If we build a new rapid transit line, we know exactly where the operating costs are going to come from, where all the bus services are going to come from. We also put forward all the road infrastructure, etc. It's good from an outcomes perspective that the federal government knows they are going to get the outcomes you're looking for. It's a holistic plan, but this means that it's trickier to pull together all the funding pieces.

I'm happy to announce that back in March, the region and the province.... The province came up with a deal. The province is basically matching the federal funds at 40% for the PTIF funds.

● (1645)

The region was able to find the sources necessary, so we're looking at advancing that. As I mentioned, we would have 90% of the actual funding that's in that public transit fund, which is about $2.6 billion. Roughly $2.4 billion of the $2.6 billion would be allocated and would start to go under procurement, followed by construction, for completion by about 2025. These things take time.

The Chair: Mr. Cross, I'm sorry. We're just tight for time here.

We'll move on to Mayor Don Iveson, chair of the Big City Mayors' Caucus.

Welcome.

Mr. Don Iveson (Mayor and Chair, Big City Mayors' Caucus, City of Edmonton): Good afternoon. It's great to be with you. Thank you for the invitation.

As mayor of Edmonton and as chair of Canada's Big City Mayors' Caucus, which brings together 22 of Canada's largest urban centres, I'm very happy to be with you to offer some comments.

Canada's cities are economic and social engines that drive the country forward. We are hubs for innovation. We are the order of government that is closest to Canadians in every way, and we view city building as nation building. When it was launched, the 11-year investing in Canada plan was a historic opportunity for transforming our cities and our country. To realize the plan means turning this opportunity into real outcomes for citizens. To create real outcomes means Canada's cities need funding programs that are designed smartly to partner with and empower local governments.

Thus far, Canada's big cities have had a productive and respectful relationship with Ottawa, and the government has engaged with us on every step of the journey. After all, municipalities are responsible for almost two-thirds of the country's public infrastructure. That open communication has been critical.

Investing in Canada's first phase, covering rehabilitation, planning, and design work, was vital to ensure that our infrastructure was modernized and formed a strong foundation on which to activate the next phase of our bold infrastructure investments. We've welcomed the flexibility shown by Ottawa in offering phase one deadline extensions. This demonstrated the government's understanding of, for example, procurement and contracting requirements that have eaten into the original timelines.

As you will have heard from other presenters to this esteemed committee since you began your hearings last week, realizing Ottawa's phase two plans will require successful federal government negotiations with provincial and territorial governments, some of which are complete. Ours, here in Alberta, are one example.

These bilateral agreements recognize the intrinsic role of local government, for the first time really, by incorporating meaningful cost-sharing arrangements to deliver on large-scale and transformative infrastructure that positions Canada's big cities and improves our ability to compete globally.

Here in our home province of Alberta, Edmonton and Calgary account for two-thirds of the population and even more of the province's economic input. Indeed, cities are Canada's economic engine. Canada's big cities demonstrated to Ottawa that while our fiscal capacity and ability is limited, our strong suit is delivering on expertise, knowledge, and familiarity with our local and on-the-ground needs. By working with Canada's big cities methodically and systematically, the federal government has now adopted a 40% share of cost-sharing for new construction and up to 50% for rehabilitation. It requires provinces to contribute a minimum of 33%. This represents a fair and balanced share of cost allocation, leaving a smaller and more manageable chunk for municipalities to assume.

This approach recognizes not only our local government's fiscal limitations but also the reality that after these projects are built, we tend to assume 100% of the cost of operating and maintenance. By enshrining these principles in bilateral agreements, local governments have the certainty and predictability necessary to make long-term decisions about critical infrastructure. By including allocation-based mechanisms, as we've seen around the transit funding, we've improved predictability and planning, as my colleagues have spoken to.

Ottawa's engagement with Canada's big cities in infrastructure investment has been unprecedented, and we are thankful for Hon. Amarjeet Sohi's appointment as Minister of Infrastructure and Communities. I served alongside Minister Sohi for a number of years at Edmonton City Hall after we were both elected city councillors in 2007. As big a loss as it was to see him move to Ottawa and become a minister of the crown, we are reassured that we have a powerful and understanding advocate for the needs of municipalities around the cabinet table.

In fact, it's my estimation that the literacy of this government when it comes to municipal issues has significantly improved, so I look forward to the committee's questions.

Thank you.

● (1650)

The Chair: Thank you very much, Mayor Iveson.

We go to Mr. Liepert, for five minutes.

Mr. Ron Liepert: Thanks to all three of you for being here today.

I want to move away from what we heard, to the purpose of this study. The purpose of the study was for the committee to examine the progress of infrastructure projects to date, the obstacles to the implementation of the projects, and the progress of expenditures in the investing in Canada plan. The Parliamentary Budget Officer, in the report he released, expressed some concern that only half of the $14 billion in phase one has been allocated to projects. Growth has been significantly lower, in terms of our GDP and job creation.

I'd like to ask each one of the three of you, and I'll start with Mayor Iveson, what would be your assessment of the progress on the infrastructure projects and, also, what are some of the obstacles that have been encountered?

Mr. Don Iveson: I'll start by saying that while I understand the most obvious metric for the Parliamentary Budget Officer is federal cash flow, it's maybe not the best metric for the impact of the program. This is because the dollars flow once receipts are given to the federal government. We have to spend the money first, which is what we're actively doing right now. When projects are complete then we'll remit to Ottawa the appropriate paperwork, and then the dollars will flow. At that point, they will register as having had effect, as far as the federal government is concerned.

However, in our own case what we've been able to do is make assumptions about those dollars flowing, particularly the transit dollars because they come through an allocation-based mechanism. The more certainty we have about dollars flowing our way, the more we're able to proceed with investments. We've been able to green-light planning dollars in the first phase—which we're doing right now, and we will bill the federal government for it—knowing that we will have construction dollars moving in the second phase.

Where the programs are more application based, there's more uncertainty. That's where we continue to advocate for more allocation-based mechanisms, because those will give municipalities the certainty to spend with the knowledge of recovery, rather than have to apply before a project can commence.

So where allocation has happened, the results have created stimulus by imbuing us with confidence to move ahead with projects.

Mr. Ron Liepert: Maybe I'll switch to Mr. Cross.

Can you comment on that?

Mr. Geoff Cross: Similar to the mayor's comments, now, of that phase one program, we have under contract I think the equivalent of about 53% of the dollars, even though we've only sent invoices to the federal government for less than a quarter of that. We have those contracts under way. As we understand it, the economic activity is going. Our fleet that is being built both in Canada and abroad will be arriving later this year, even if it hasn't been built. There is a bit of a lag time.

The extension by a year for the program was helpful for us. I think it recognized that an infusion of this level of spending doesn't necessarily mean that the regional and provincial entities are ready to go, if the dollars aren't there. There's a ramping up of our internal resources, to be able to do so, to make sure that all of the estimates for projects are current, etc. There's a lot of background work that needs to happen to thus get them out the door. However, once that goes, things can move quite quickly.

● (1655)

Mr. Ron Liepert: Mr. Smith, any comments?

Mr. Fraser Smith: Yes.

In our particular case, we had about $58 million related to our light rail project. We've been able to actively set tenders for all but one of those projects, and a design is well under way. It's been well positioned.

As Mr. Cross said, we've been able to push that work out. It's a matter of getting our construction done over the next few months, to be able to spend that money.

It's been very successful for us to have the early work to move ahead.

Mr. Ron Liepert: What about the matching aspect of it?

I know in Alberta's case, Mayor Iveson, that we've had, I would say, very robust public infrastructure spending for the last, at least, 10 years now. Now you layer on significant federal infrastructure dollars that are conditional on matching funds. Has it put any additional pressure on the cities to come up with those dollars?

Mr. Don Iveson: This is one of the reasons that the federal and, ideally, provincial governments occupying a larger share of the upfront cost allow us to accelerate investment. Expecting municipalities to catch up or stay abreast at one-third, one-third, one-third, while the country is increasing its level of investment, will be challenging. That's why we've advocated for more like a 40-40-20 split.

As you will recall from your time in Alberta, at one point the provincial government here was funding up to 67¢ on the dollar for transit. We've seen 100¢ dollars and 80¢ dollars in Ontario. Prior to federal investment, provinces were investing, in some cases, even much more generously. Now that we have, in most parts of the country, alignment of three orders of government, we have a sustainable pathway forward, recognizing if we're going to exponentially increase the size of the inventory, it still falls to municipalities to manage 100% of the cost of operations and maintenance. In fact, a bit of additional federal flexibility to provide dollars for up to 50% for major maintenance is also helpful because it starts to reduce the burden on municipalities for that long-term operating and maintenance.

The Chair: Thank you very much, Mayor Iveson.

We'll go to Mr. Hardie.

Mr. Ken Hardie: Thank you, Madam Chair.

I think I will direct the first question to Vince Lalonde, city manager of Surrey, B.C. Welcome to the committee today, Vince.

I found it quite interesting that it wasn't really all that long after October 2015 that Minister Sohi was in Surrey announcing a fair bit of money that had been allocated by the previous government that I think was going to go into basically water and sewer systems, etc., right across B.C.

Why did that happen so quickly? Why was Surrey there ready to go?

Mr. Vincent Lalonde (City Manager, City of Surrey): I think we may not be unique in this, but all cities have a heavy infrastructure demand so we typically keep on our books some designs that are shovel-ready. Certainly, when there was availability for funding, it was something we really welcomed.

I think further to that, as Mr. Smith was talking about earlier, the fact that we were able to get some early money in PTIF 1 to do some early works for our project will definitely ensure the rest of the project is smoother and more cost-effective.

Mr. Ken Hardie: Mayor Iveson, I have a question for you now. The parliamentary budget office was concerned, and some critics have also spoken up about the lack of specificity in the federal infrastructure plan.

From your end of these transactions, how specific would you like federal planning to be, or how non-specific would you like federal planning to be?

Mr. Don Iveson: That's a great question. I think the challenge for us has been that we haven't always seen assurances that there would be a fair balance of municipal priorities reflected in the dollars that flow through provinces. Since the majority of dollars here have to flow through the bilateral agreements, the uncertainty really comes province by province and territory by territory.

We appreciate that the federal government has included language in the bilateral agreements we've seen that requires this fair balance of municipal priorities, so that provinces don't just gobble up all of the infrastructure money for their own issues. Without enumerating exactly how that would look, the principle is the really important thing. We haven't seen that in previous bilateral agreements. Assuming that this puts a functional onus on provinces to liaise with their cities and municipalities to determine what those priorities are, and then work those out in consultation, and then flow federal dollars, stacked with provincial and municipal dollars, to build things, then that gives us clarity again that we're not going to be left out of the race for prioritization.

Knowing that there are the five buckets of investment and understanding how those will.... We have the most certainty around, for example, the transit dollars where it's allocation-based. We have more uncertainty around the green dollars still, where we think there's a huge opportunity for municipalities to play a role in helping the country achieve both its environmental and economic goals around the pan-Canadian framework addressing climate change. It varies from bucket to bucket, but transit that is using the allocation-based model with the most certainty over the longest period of time is the model we continue to advocate for, and that we think would work for all infrastructure priorities.

● (1700)

Mr. Ken Hardie: Thank you, Mayor Iveson.

Mr. Cross, this is not exactly along the lines of what we've been talking about, but I'm fully aware that TransLink has had a lot of experience with P3s. I wondered if you could comment particularly on how the Canada Line project worked out, in terms of integration, control over fares, delivery of a project on time and on budget, and that sort of thing.

Mr. Geoff Cross: We've learned a lot through the Canada Line initiative and this project. It was probably the first of its kind in that generation. The project itself has been an incredible success from the ridership perspective. It's above what we anticipated. It's about 140,000 boardings a day. If you've been to Vancouver and seen the development that's happening around the line, it's reaching those outcomes. We've been working very closely with the operator to try and understand how we evolve that agreement over time to better meet some of the flexibility needs. Sometimes you don't have the resiliency and flexibility in the plans, so we were not necessarily able to anticipate some of the outcomes that we've had. I'd say that it's operating very well and if we go forward with P3s in the future, we'll know what those should look like and the lessons from that.

The Chair: Thank you very much.

Now, we have Madam Sansoucy.

[*Translation*]

Ms. Brigitte Sansoucy: My first question is for the mayor of Edmonton, Mr. Iveson.

As you know, the committee has been charged with making recommendations to the government to prevent delays in the allocation of funding to municipalities, an issue the Parliamentary Budget Officer raised in his report on phase 1 of the new infrastructure plan. His report came out in March.

In the report, the Parliamentary Budget Officer indicates that half of the total $14.4-billion budget for phase 1 of the new infrastructure plan has yet to be attributed to projects. In his view, the 2018 budget provides an incomplete account of the changes to the government's $186.7-billion infrastructure spending plan. As I see it, that's a very worrisome finding and the reason why I asked that the committee undertake an emergency study on the subject.

Could you, as chair of the Big City Mayors' Caucus, explain the process for allocating phase 1 funding? More specifically, because phase 1 funding has not been fully allocated yet, how do we make sure municipalities receive the money they need for phase 2? As we all know, your needs are extensive. What mechanisms should be put in place to reassure the country's big cities and make sure phase 2 is not plagued by the same problems as phase 1?

Mr. Don Iveson: Thank you for the question.

● (1705)

[*English*]

I think what we'll benefit from the most is long-term certainty. Having a 12-year outlook cumulatively is very helpful for us. As I mentioned earlier, in the case of the transit dollars, we have a pretty good idea of what that's going to amount to over the next 10 years. Therefore, using dollars from phase one, we're doing about $40 million worth of detailed planning right now. That will prepare us to move into procurement for a 14-kilometre, $2-billion light rail project using the phase two dollars. Long-term certainty is helpful. Ideally, this 10-year commitment that we're looking at now for phase two would roll over and become permanent, so that we can plan the projects that are 12, 14, and 16 years out and do the engineering work on the front end, by using dollars to come in phase two for what would ideally become a phase three or a permanent build on these projects.

The allocation-based mechanism for transit provides us with the most certainty to plan and we can then make assumptions and proceed with expenditures with certainty of recovery. We would advocate across the board that would be an allocation-based mechanism for all of the infrastructure categories.

[*Translation*]

Ms. Brigitte Sansoucy: Thank you.

My next question is for the City of Surrey officials.

In July of last year, the federal government sent every province and territory a letter regarding the bilateral agreements. Those agreements were supposed to be signed by March 31. According to our information, just 6 of the 14 provinces and territories have signed the agreement. British Columbia has signed, but not Alberta or Quebec.

That will inevitably affect the implementation of infrastructure projects. I find it troubling that, a year or two down the road, we could end up in the same boat as with phase 1. The minister can say that everything is fine, but I am worried.

Witnesses have told the committee—and the mayor of Edmonton just told us so, himself—that sustained funding, such as what the gas tax provides, would be more effective than the piecemeal or project-based funding currently being used. Municipal officials told the committee that sustained funding would help them better anticipate their needs and plan, and we've just heard it again.

I'd like to hear your thoughts on that. Do you think a gas tax-like funding model would be more effective than a project-based approach?

[*English*]

Mr. Vincent Lalonde: For us, the fact that there was support for a multi-year plan was really critical, given the size of the infrastructure this funding will provide for. Although it is very important to have the bilateral agreements—and in some cases, as you state, it may delay it a bit in some provinces—it was a critical part for us to also anchor in the support from the provincial government for our project. We clearly needed the support from both federal and provincial governments in order to proceed.

Furthermore, I think the long-term support for the mayor's vision also anchored in local support for the local share of the program. In my opinion, if it had been done piecemeal, by project, we wouldn't have had the same benefits.

[*Translation*]

Ms. Brigitte Sansoucy: Thank you.

[*English*]

The Chair: Mr. Badawey.

Mr. Vance Badawey: Thank you, Madam Chair, and welcome to all the folks today—those representing Surrey; those from Edmonton; and of course, Mr. Cross. It's great to have you out here today.

I'm going to go in a different direction here and state first of all that we know how well the programs are going right now, but this government always feels that we can do better. That said, collecting input, just as much as opinion, on different things that we're working on is very valuable for us to help move forward in a more responsive manner, with better outcomes for you folks.

With the idea of economic incentivization and looking at strategic planning, asset management, and the capital needs, both operationally as well as in a capital manner, as well as the need to bundle—and I spoke with earlier witnesses about bundling applications—to enhance clusters and ultimately bring back more sustainable returns for economic, social, and environmental....

I'm going to open it up to all four of you and give you the opportunity in my time to let us know how we can do better to enable you folks to do more and bring back more to your clients, customers, residents, and businesses in your communities.

Mr. Iveson, we'll start off with you.

● (1710)

Mr. Don Iveson: I appreciate the principle of the question. Being asked for our priorities is one of the reasons we have an infrastructure plan that looks like it does. This government has listened closely to the Federation of Canadian Municipalities when it comes to our long-standing message around the need to invest in infrastructure and for Ottawa to play a leadership role in articulating national priorities, to work with provinces that understand regional priorities, and then to value local governments as implementation partners really at the table from the start, rather than as the last people you talk to in the chain of national decision-making. So even asking us in the first instance is the right instinct.

Then I think the other point would be, just to reinforce what I was saying earlier, long-term certainty, rolling programs particularly for megaprojects. Transit projects, in particular, tend to play out over even decades at a certain scale. Having a longer-term outlook for transit would be very helpful, just to give one example. Then I think that the key thing is to never forget the need to put pressure on provinces to ensure that their own long list of infrastructure priorities isn't automatically placed ahead of local government needs.

Perhaps the one place where we could talk some more about further opportunities for collaboration would be about the state of good repair. I know that that doesn't necessarily create the same economic bang for the buck. But recognizing that we have two-thirds of the country's infrastructure in the form of buildings, bridges, and roadways, and yet we have—give or take—eight cents of the tax dollar, every bit of assistance we can get from senior orders of government with state of good repair means that we're not having to use scarce dollars locally exclusively to deal with that. We'll have more opportunities to invest strategically in initiatives that will support economic growth and improve social and environmental outcomes.

Mr. Vance Badawey: Thank you, Mr. Mayor.

Gentlemen.

Mr. Vincent Lalonde: I'm Vincent Lalonde from the City of Surrey.

I think for us, similar to the comments from the honourable mayor of Edmonton, the fact that this was a long-term commitment was really good. I think in our example with Early Works projects, we're able to build things that will definitely help us out on the longer term to go faster. For example, our LRT needed to use a bridge. That bridge was a timber structure that needed replacing, so it made more sense to put early funding towards the bridge in order to then be able to do the LRT on a brand new bridge. For us that's something that we feel the federal government really put effort into: buying into the overall vision without meddling with every little detail of each project.

The Chair: Mr. Sikand.

Mr. Gagan Sikand: Mayor Iveson, as you mentioned, you are the chair of the Big Cities Mayors' Caucus, of which our mayor is also a part. I represent the riding of Mississauga-Streetsville, so that's Mayor Bonnie Crombie. You also mentioned you had worked with Minister Sohi. You may have heard that Minister Sohi, the Minister of Infrastructure and Communities, announced major investments in public transit in Mississauga. I was wondering if you could share with the committee what Edmonton is receiving through our government's initiative?

Mr. Don Iveson: Certainly. I had the opportunity to attend two announcements with Minister Sohi. One was the signing of the bilateral agreement with the Government of Alberta, at which it was confirmed that the City of Edmonton in phase two would receive approximately $870 million. We will be able to apply it to our next light rail project, the Valley Line LRT, which is phase two of the light rail extension from downtown Edmonton out to the West Edmonton Mall and beyond in the western part of Edmonton. Then a week later, we were able to announce the contribution of provincial and federal dollars from phase one to the purchase of 40 electric buses, which we're finalizing the procurement for right now. As part of both our transit fleet requirements and our energy and climate transition initiatives, we're looking to lower the emissions profile of our transit fleet. That's one tangible investment from phase one. Again, there are procurement lag times, but having the commitment there allowed us to go ahead with the electric bus procurement. Some of the other initiatives I mentioned earlier were around design investments and some state of good repair investments in our transit infrastructure from the first phase.

● (1715)

Mr. Gagan Sikand: In your opinion, how important are these investments in public transit?

Mr. Don Iveson: Edmonton has been one of the fastest-growing cities in the country. As well, it's one of the youngest cities in the country. In my lifetime—the last 38 years—it's more or less doubled in size.

As it has grown, we are starting to experience the traffic congestion of most cities approaching one million residents, and our metro population is now 1.4 million. The only way to get out ahead of that is not to widen roads, which just induces more traffic congestion, but to strategically get out ahead with rapid transit investment, and so—

Mr. Gagan Sikand: Thank you.

I apologize for cutting you off. I'm sharing my time with my colleague, so I think I'm going to pass it over to her now.

The Chair: Please ask a short question.

Ms. Emmanuella Lambropoulos (Saint-Laurent, Lib.): I guess I'll mix the two of mine together for either the mayor or Vincent Lalonde.

My question pertains to the Infrastructure Bank. I'm sure you were already consulted, but I'd like to know what strategies they can implement in order to make sure the greatest number of Canadians are benefiting from the projects that are being funded from this bank, and vulnerable communities included, not just people in big cities. I'd like to know in what ways you think we can protect the Canadian population investing in this bank.

The Chair: Mayor, would you like to go first with a short answer?

Mr. Don Iveson: That's challenging for me, but I'll do my best.

We [*Technical difficulty—Editor*] opportunities, particularly around energy projects, district energy projects, and utility projects that we're interested in exploring further. If they can not only—through the innovative use of technology—reduce greenhouse gas emissions, but also stabilize prices and reduce exposure to variable commodity prices to ratepayers over time, we think those are worth exploring. We have district energy projects here that might fit that bill.

One of the other areas where we think there might be value in talking would be around favourable financing for mixed-market housing projects that achieve multiple bottom-line returns in energy, affordability of housing, and redevelopment of challenging sites in our city. I think we're open to a variety of different conversations about how the Infrastructure Bank could provide favourable financing to accelerate those kinds of things.

The Chair: Thank you very much.

Thank you to all of our witnesses.

Yes, sir.

Mr. Vance Badawey: Can I just add one piece of clarification from a comment that was made earlier?

Both Alberta and B.C. have signed the bilateral agreements, so I want to make sure that was understood.

Thank you, Madam Chair.

The Chair: Correct. There were seven provinces that have signed.

Mr. Vance Badawey: There were seven in total, but Alberta and B.C. have signed their bilateral agreements.

The Chair: Congratulations on doing that.

Thank you very much.

We will suspend for a moment while our witnesses leave before we go into committee business.

[*Proceedings continue in camera*]