



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 096 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Thursday, June 6, 2013

Chair

Mr. David Christopherson

Standing Committee on Public Accounts

Thursday, June 6, 2013

• (1640)

[English]

The Chair (Mr. David Christopherson (Hamilton Centre, NDP)): I will now reconvene the 96th meeting of the Standing Committee on Public Accounts and welcome our guests.

Prior to jumping in I would advise everyone that our first hour was in camera, where we were hosting a delegation from Guyana as we shared best practices in terms of public accounts procedures and oversights. They are here still with us to witness one of our regular hearings.

Again, I welcome our guests and friends from Guyana.

With that I would now move to the matter at hand and would look to Monsieur Ricard, who is the assistant auditor general, acting on behalf of the Auditor General today. I will ask you to introduce your delegation and to read your opening remarks, please.

Mr. Sylvain Ricard (Assistant Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chair.

[Translation]

Mr. Chair, thank you for this opportunity to discuss chapter 10 of our spring 2013 report on advance funding of the P3 Canada Fund. Joining me at the table are, Lucie Cardinal, Principal, and, Shawn Audette, Project Director, who were responsible for this audit.

PPP Canada, a crown corporation established in 2008, administers the P3 Canada fund. The fund provides support to infrastructure projects procured by other levels of government through public-private partnerships known as P3.

[English]

To minimize the impact on government resources and borrowing levels, a Treasury Board directive prevents crown corporations from receiving advance funding. However, PPP Canada has received yearly exemptions from this directive and received funding long before its disbursement needs. As a result, the corporation had accumulated about \$670 million in short-term investments as of September 30, 2012.

The audit objective was to determine whether PPP Canada's funding arrangement results in a financing cost to the government. We examined the amounts provided to PPP Canada to fund P3 projects, when these funds were disbursed, and the related financing costs.

We noted that as of September 30, 2012, PPP Canada had received \$683 million of the \$1.2 billion approved for the P3 fund

and had disbursed \$23 million for P3 projects. We also found that the amount of advance funding it receives is expected to grow over the next two fiscal years. By the end of 2013-14, the corporation is expected to receive the balance of the \$1.2 billion with only \$83 million of those funds likely to be disbursed by that time. In addition, in budget 2013, the government announced that it will provide PPP Canada with an additional \$1.25 billion for the P3 Canada fund over five years, starting in the 2014-15 fiscal year.

[Translation]

We also found that the government did not calculate the cost of providing advance funding to PPP Canada. We estimated that advance payments to PPP Canada for the P3 Canada fund resulted in \$1.6 million in avoidable financing costs between the 2009-2010 and 2011-2012 fiscal years.

More importantly, the government is exposed to risk related to financing costs with the current funding arrangement of providing money to the corporation years before it is dispersed. In our view, there are approaches that would minimize the government's exposure to this risk.

[English]

We made two recommendations in this chapter. The Department of Finance and PPP Canada agreed with our first recommendation to examine the current funding arrangement, taking into account the financing costs to the government. They committed to monitor the investment returns and borrowing costs associated with the advance funding. In response to our second recommendation, the Treasury Board of Canada Secretariat committed to specific actions to confirm that financing costs are taken into account in cases where crown corporations seek an exemption from Treasury Board to get funding in advance of needs.

[Translation]

Your committee may wish to explore progress made to date, including the adequacy of any action plans and timelines to address the recommendations of this chapter.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

[English]

The Chair: *Merci.*

I should formally mention, just for the record, that this is chapter 10, "Advance Funding—P3 Canada Fund" of the 2013 Spring Report of the Auditor General of Canada.

Acting Assistant Deputy Minister, I'll turn the floor over to you and ask you to introduce your delegation, please.

•(1645)

Mr. Richard Botham (Acting Assistant Deputy Minister, Economic Development and Corporate Finance, Department of Finance): Thank you, Mr. Chair.

Thank you for inviting us to speak to chapter 10 of the 2013 Spring Report of the Auditor General of Canada.

[Translation]

My name is Richard Botham. I am Acting Assistant Deputy Minister, Economic Development and Corporate Finance at the Department of Finance.

[English]

I will be making an opening statement on behalf of my colleagues here today: Greg Smith, vice-president and chief financial officer from PPP Canada Inc.; and from the Treasury Board Secretariat, Gonzague Guéranger, executive director for government and parliamentary operations, and Sylvain Michaud, executive director, government accounting policy and reporting.

[Translation]

PPP Canada Inc. is a crown corporation that was created in 2008 and became operational in 2009. The mandate of PPP Canada is to utilize the public-private partnerships in order to improve the delivery of public infrastructure.

[English]

PPP Canada acts as a centre of expertise on P3s, provides advisory services to federal departments on their P3 projects, and delivers the P3 Canada fund, an infrastructure contribution program that is part of the government's building Canada plan.

As indicated in the Auditor General's report, the government established PPP Canada as a non-agent of the crown for the purpose of delivering the P3 Canada fund. This means that commitments of the corporation are not considered binding on the crown. In short, in order for the corporation to make credible commitments to funding partners, it must be able to demonstrate it has financial resources to back up project commitments.

This is the reason why the Minister of Finance has sought and received approval from the Treasury Board, on behalf of the corporation, of annual exemptions from the directive on the use of the consolidated revenue fund for crown corporations. Like other expenditures, funding that is advanced to PPP Canada is sourced from a mix of general government revenues and general borrowings. Associating a particular spending item, such as funding for the corporation, to a specific borrowing can only be done as a hypothetical exercise.

We undertook such an analysis for the purpose of the audit. In a scenario in which all of the funds advanced to PPP Canada are sourced through borrowing, the government would meet such an uncertain and periodic requirement via the short-term debt that is

being issued continuously to address variations in liquidity requirements—that is, through treasury bills.

The period covered by the audit was April 1, 2011, to September 30, 2012. We calculated the average rate on treasury bills for 2010-11 and 2011-12 and applied such rates to amounts drawn down, which yielded hypothetical borrowing costs of \$2.6 million in the first year and \$4.3 million in the second. PPP Canada's return on its cash reserves was \$2.2 million in the first year and \$5 million in the second. The hypothetical financing costs of less than \$500,000 in year 2010-11 was more than offset by a small amount of hypothetical financing surplus of less than \$1 million in 2011-12.

Notwithstanding this finding, given the importance of managing the advance payments with due economy, we have agreed with the recommendations in the chapter and have developed an action plan that has been submitted to this committee.

[Translation]

As indicated in the departmental action plan, the department is monitoring the returns that PPP Canada generates on its advance funding and the hypothetical borrowing costs associated with the drawdowns of the appropriations for the P3 Canada Fund.

[English]

This information will be provided to the Department of Finance and to Treasury Board ministers when the corporation seeks an exemption to the directive, and to the deputy minister of Finance when the corporation seeks to draw down its appropriated funding for the purpose of the P3 Canada fund. The department will also advise the deputy minister and the Minister of Finance of any significant change in the corporation's returns or estimated hypothetical borrowing costs as appropriate. Should the department identify significant net financing costs, the current funding model will be reviewed, and recommendations will be provided to the Minister of Finance. PPP Canada will be providing assistance in the context of this process as required.

In response to the Auditor General's report, the Treasury Board Secretariat, in consultation with the Department of Finance, will review the Treasury Board directive to determine whether changes need to be made to clarify that financing costs are to be taken into account when a crown corporation seeks an exemption to this directive to obtain funds in advance of disbursement needs. Any necessary adjustments to the directive will be brought forward to the appropriate authority by March 31, 2014.

•(1650)

Thank you, Mr. Chair. We would be pleased to answer any questions you may have regarding chapter 10 of the Auditor General's report.

The Chair: Very good. Thank you very much. Unless there's an intervention from colleagues, I will now move us to our rotation of questions.

With that, Mr. Saxton, you have the floor.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Chair.

Thanks to our witnesses for being here today. My first question is for the Office of the Auditor General. The scope of this audit looked primarily at the funding model of PPP Canada, which is a relatively technical issue. It didn't look at the overall value proposition of P3s. Is that correct?

Mr. Sylvain Ricard: That's exactly what we did. We didn't look at the project per se, as you say.

Mr. Andrew Saxton: Thank you very much.

My next question is either for Finance or for PPP Canada. Why was this funding model chosen, and what are the strengths and weaknesses of this particular funding model?

Mr. Richard Botham: Maybe I can start and Greg can certainly add any details.

I think the main reason the model was chosen—and by the model, I'm referring to the fact that PPP Canada is a non-agent crown corporation—is that PPP Canada is undertaking infrastructure projects with other partners. It does so through contributions, and the projects are of long-term duration. In this case, because they are private sector managed, the view was that it was appropriate that PPP Canada be a non-agent of the crown. I think the main advantage of doing that is that these projects are undertaken without the crown being bound to any future liabilities that might be created as a result of the projects. It holds the crown harmless.

Mr. Greg Smith (Vice-President, Finance, Risk, Administration and Chief Financial Officer, PPP Canada Inc.): I will add that in our case, when we execute a contractual arrangement with another level of government, say a province where there's a project, and we're committing to making a payment three or four years down the road, when I actually sign and execute that agreement, I have to know in my mind that the corporation, PPP Canada, is able to honour that commitment down the road.

As Richard said, not being an agent of the crown and having the cash invested in accordance with investment policies approved by Treasury Board, we know those funds are available to honour that commitment and that the jurisdiction, which is actually entering into the P3 arrangement and having a public asset constructed, will have our money to contribute to the substantial completion payment of that asset.

Mr. Andrew Saxton: It was reported in the audit and also repeated today that PPP Canada through the P3 Canada fund had about \$670 million on account in December of 2012. Can you explain how those funds are being invested? Do you have an oversight body? Do you have an investment officer? Is there a committee that makes a decision on where those funds are invested?

Mr. Greg Smith: I'll answer that. There's an investment policy approved by Treasury Board. It lays out the types of investments we can enter into, which are very liquid. It identifies the institutions we're able to invest in, basically banks. We have a certain percentage we have to maintain in provincial or federal products. It lays out the rules for the timeframes we can invest in and the rating services ratings of those institutions we can invest in. It's very prescriptive. That policy was established in 2008. We continue to make our investments in the market in accordance with those policies annually. The Auditor General audits our financial statements to make sure we're compliant with the authorities we have.

We report regularly to our audit committee on our investments and where they are. Those are the rules under which we can invest those funds.

• (1655)

Mr. Andrew Saxton: Thank you. Can you explain how the amounts and timing of the advance funding are decided on?

Mr. Greg Smith: I think Finance might want to answer that.

Mr. Richard Botham: Sorry, I'm not sure exactly. The amounts of...?

Mr. Andrew Saxton: You're getting another \$1.2 billion, right? I think you originally had close to \$1 billion.

I'm just wondering whether you requested those amounts. How was it decided that those would be the amounts and what the timing would be for you to receive those amounts?

Mr. Richard Botham: Well, the amounts that would be drawn down by PPP Canada are identified in their corporate plan. It's a corporate plan that was approved by Treasury Board according to the projects that the corporation saw it would have in a coming year. They make a request on that basis.

Mr. Greg Smith: Those amounts are set out in the estimates documents that are part of the supply process and the appropriation process of Parliament. Our business was basically laid out to have various annual rounds where we say we're open for business and we accept applications. To a certain extent they were spread out over five years to try to match our activity in the marketplace in accepting applications.

The Chair: Okay. The time has expired. Thank you.

Moving along, Madame Blanchette-Lamothe, you have the floor.

[Translation]

Ms. Lysane Blanchette-Lamothe (Pierrefonds—Dollard, NDP): Thank you very much, Mr. Chair.

My thanks to the witnesses for joining us today.

Mr. Ricard, could you talk to us a little about the financing costs?

In your report, you set those costs at \$1.6 million. In your opening statement, you said that those costs could have been avoided between 2009-2010 and 2011-2012. In reply to the first recommendation, the department has concluded that there is no unequivocal evidence as to the financing costs. My impression is that your assessment and the department's conclusions contradict. Can you shed some light on that for me, please?

Mr. Sylvain Ricard: As we mentioned in our report, the government's financing tools, meaning short-term and long-term loans, do not go directly through PPP. When we try to determine the financing costs of PPP activities, we have to work with hypotheses. Here is the one we chose. Given that PPP funding comes from overall government disbursements to various organizations, the best rate for the loans would be a weighted rate for the financing tools or debt issued by the government through the year. That is essentially what we are describing.

The department says no, it was entirely short-term financing and that should therefore be the rate of short-term Treasury bills. We came to our own conclusion, which gave us the figure of \$1.6 million. Using its own calculations, the department has come to a different conclusion. In other words, our working hypotheses are different. We can support the reasons why we feel that our hypotheses are the right ones. That gave us our result.

Ms. Lysane Blanchette-Lamothe: As I understand it, the department officially accepts your recommendation, but it does not agree with you about the financing costs.

Mr. Sylvain Ricard: In our report, we wanted to stress two or three points. First, we emphasized the need to establish a directive that would prevent funds being disbursed to crown corporations too far in advance of their needs. We also pointed out that, when the decision about PPP Canada funding was made, no analysis of the financing costs was done, whichever hypothesis is used. Last, as you can see in the table in item 10.3, the level of loan rates and performance rates fluctuates with time. Whichever hypothesis is used, there is still a gap.

It is important for us to point out the need for follow-up in this regard to avoid ending up, whatever the model, with net costs linked to the difference between investments and loans. That would cost Canadians more.

• (1700)

Ms. Lysane Blanchette-Lamothe: Mr. Botham, do you want to add anything to that?

Using another method, you perhaps did not note any overrun. Despite that, do you commit, as Mr. Ricard has suggested, to following up so that you can be sure, whichever method of calculation you use, that there will be no major financing costs?

[English]

Mr. Richard Botham: As I mentioned in my opening statement, the way we would approach the question of the cost of PPP Canada really starts from how the Government of Canada provides funds for particular programs. The Government of Canada sources the funds it provides both from its general revenues and from general borrowings.

From our perspective that is how the government proceeds. It doesn't attach a specific borrowing instrument to a specific program ever.

That being said, we agreed with the Auditor General's recommendations that it is important to manage programs with a view to due economy. To that extent, as you see in our action plan, we agree this is an undertaking we will do, which is to continue to monitor and evaluate whether there are financing costs.

[Translation]

Ms. Lysane Blanchette-Lamothe: You are saying—

[English]

The Chair: A real short question, please.

[Translation]

Ms. Lysane Blanchette-Lamothe: Okay.

You are committing to looking at other methods of financing in the event that financing costs show a sharp increase.

What do you understand by “sharp increase”?

Do you already have different financing methods in mind that you could turn to if financing costs show a sharp increase?

[English]

Mr. Richard Botham: The financing means, as I say, would be invariable. The financing means are general government revenues and general borrowings.

It was our view that the appropriate way of calculating a hypothetical borrowing cost is to use treasury bills, given the nature of PPP Canada's drawdown of funds. We would continue to monitor the hypothetical borrowing costs using the methodology we established. We think it's appropriate given the hypothetical construct we're working within, so we would continue to do that.

The Chair: Thank you. Time has expired.

Mr. Kramp, you have the floor, Sir.

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

I'm going to direct a number of my questions to start to Mr. Smith. I'm basically looking for some information with regard to the investment strategies and investment responsibilities.

What I would like to know to start with is about the one who is responsible for your investment strategies. Is it an individual, a group, an agency, or do you actually have an investment board?

Mr. Greg Smith: PPP Canada is responsible for that. Initially the governance around that goes to our board of directors, whom we report to regularly, who review our investments every quarter during an audit committee meeting. They look at the strategies and make sure we're compliant with all of the policies that have been handed to us from Treasury Board. So it starts with them.

Then there are delegations down to management that on a regular basis are going into the marketplace. You have to understand we can only deal with the major financial institutions. We can only deal in bankers' acceptances or treasury bills. We are very limited to what we do. We make the calls around to all of the financial institutions when we have a maturity coming, and we choose the highest rate that's available for that day.

Mr. Daryl Kramp: You're limited as to what you can do. Who mandates that limitation? Treasury Board or what?

Mr. Greg Smith: That policy was established by Treasury Board.

Mr. Daryl Kramp: Thank you.

You have significant funds held in short-term investments. If a significant part of your funding is not expected to be disbursed for several years, why are these investments still held in short-term funds?

Mr. Greg Smith: The policy established by Treasury Board allows us to lock in a longer than one-year term investment when we know we have a payment that's going to go on a contract when that public asset is constructed and our payment is due.

If we don't have those in contractual arrangements and know when our payment's going to be due, the Treasury Board policy we have says we can only invest up to one year.

• (1705)

Mr. Daryl Kramp: Maybe my colleagues on the other side will permit me a little bit of indulgence here, but that almost sounds pretty conservative from the point of view of investment potential, in that obviously when we take a look at market returns... You're obviously just being very safe though. Has that been mandated by Treasury Board rather than taking a look at, potentially, some other gains that could be significant?

Mr. Greg Smith: You would have to ask Treasury Board, but our view is that we are a very safe investment.

Mr. Daryl Kramp: Okay. Thank you.

With regard to some of the other factors, I've lived through that period where I had both investments and capital costs and interest was a single digit, and I've lived through that disastrous period when the interest rates went to 22%. If you were heavily leveraged at that point, you had a huge challenge, but of course on the investment side it also presented other circumstances.

As the financing costs change with the rise of interest rates—and I think it's a given—are you saying, “Well, with interest rates where they are now and it having been stable for the last number of years, it looks like we're probably going to stay there for the next five or ten years”? Or, are you anticipating and/or prepared to adjust your investment strategy? Are you locked into a particular manner that basically negates your having the flexibility to do what you need to do?

Mr. Greg Smith: The strategy that's discussed with our audit committee.... To the extent that we have investments with a maturity of less than one year, we try to get those maturities to happen equally during the 12 months, so we can be ready should there be any changes in the interest rates within the market. That's the strategy. The audit committee does not anticipate what interest rates are going to do. We've been handed the rules under which we can invest, and we're going to spread it over the year, compliant with that, to make sure we have the liquidity when we need it.

Mr. Daryl Kramp: Thank you very much.

I have one more brief question, if I have an opportunity. I'll direct this to the Auditor General's office.

I want to make sure we're talking about apples and apples, not apples and oranges here. The Department of Finance noted that the Auditor General used a different methodology to estimate net financing costs.

Could you tell me why you used a different methodology than the Department of Finance?

Mr. Sylvain Ricard: We describe in the report the reason that we felt the method we used was the appropriate one.

I think even as recognized by the department—in the response on the operating statement, or maybe both—borrowing at the government level does not link specific payments to any specific organization. Nobody can say, well, that dollar going there is financed short term or long term. Given that I couldn't claim it was short term or long term, we felt the appropriate rate to use would be a weighted average of short-term and long-term borrowing tools.

Mr. Daryl Kramp: Okay, fine. Thank you.

Now, you—

The Chair: Sorry, Mr. Kramp. Nice try.

Mr. Daryl Kramp: Thank you very much, Chair.

The Chair: You're welcome.

Moving along over to Monsieur Giguère. You have the floor, sir.

[*Translation*]

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you, Mr. Chair.

My thanks to the witnesses for coming to meet with us today.

Mr. Smith, you surprised me a little. At one point, you mentioned the importance of having the money to meet your commitments. In the entire history of Canada, this is the first time that we are hearing that Canada is not honouring its signature in a financial transaction. I thought that, once the Canadian government's signature was at the bottom of a financial document, the money then followed. That is why your comment surprised me a little.

So let me ask the official from the Department of Finance this question.

Given the significant number of requests for support from other governments, municipalities in particular, why was a non-agent crown corporation specifically created to solve an infrastructure problem, when it would have been possible to use a single-window approach? If that were the case, you would have needed neither to set up an agent crown corporation, nor to make loans and disbursements before expenses. It would not have been necessary to operate with a two-tier or three-tier structure. There would only have been a single structure; it would have been much more economical and you would have had no financing costs.

• (1710)

[*English*]

Mr. Richard Botham: I think there were two points that I heard you raise.

The first point is whether PPP Canada requires cash on hand, given that it is making undertakings for specific infrastructure projects. As a non-agent crown, the commitments that it makes are not binding on the Government of Canada. That's the distinction between non-agent and agent. So for that reason they require appropriations. They need to have cash on hand so that other funding partners believe that those commitments are credible. If they were an agent of the crown, there would not be the same imperative.

The second reason goes more to the fundamental purpose of the creation of PPP Canada, as I understand it. I think at the time of the creation, the thinking was that for the Government of Canada, it was important to become a credible and active participant in the P3 market. It was important because not all infrastructure projects are P3 projects, but those that are possibly P3 projects can deliver better value for taxpayers. That was the rationale.

The Government of Canada, I don't think, had extensive experience in that endeavour, and the government felt that it was important to bring to bear private sector experience in the form of a private sector board of directors to constitute a corporation to undertake what was a relatively new, but very important activity. It was for that reason the corporation was created.

[Translation]

Mr. Alain Giguère: Excuse me for interrupting, but I would prefer to understand your comments.

You have just told us that PPP Canada is a crown corporation only because of its financing. In terms of its direction and its investment choices, it is a private company. Is that correct?

[English]

Mr. Richard Botham: No, what I'm saying is that PPP Canada is a non-agent crown corporation for the purpose of the infrastructure projects and the management of the P3 fund.

[Translation]

Mr. Alain Giguère: Yes, but if its board of directors comes exclusively from the private sector and if its sole purpose is to finance public-private partnerships with taxpayers' money, isn't there the risk that profits will be private and losses will be public? In other words, losses will be picked up by government financing but profits will go to the private-sector partners.

[English]

Mr. Richard Botham: The purpose of PPP Canada is not to generate a profit for the Government of Canada. It is to enter into P3 arrangements for infrastructure projects, which in themselves have a social good.

[Translation]

Mr. Alain Giguère: Okay.

So here is the key question I would like to ask you.

If the objective is just to set up public-private partnerships, it is very interesting ideologically, but economically, what do Canadians get out of it? If the objective is essentially to provide financing to private companies who would not otherwise be in a position to find sufficient capital on the free market, I have a little problem with it. The little problem is made worse by the fact that the economic objective is excluded, in a way. What I mean is that, under the Buy

America program, steel girders must be bought in the United States unless there is a 6% difference in price.

Do PPP Canada's plans include measures like that, measures designed to help the Canadian economy?

• (1715)

[English]

The Chair: A very brief response, please.

Mr. Richard Botham: It was a long question to have a brief response to. The last part had to do with the "buy America" policy and whether there's a "buy Canadian" policy in PPP Canada. Is that the question?

Greg.

Mr. Greg Smith: First of all, let me clarify that our funding goes to other levels of government. It goes to the provinces or municipalities that would give the money. They are the ones that actually procure the public asset that they need to provide services to their citizens, and they own those assets. So the ultimate assets that are procured through a P3 model keep ownership in the public sector—not the federal government, but the provinces or territories we're giving the money to.

One of the fundamental principles of the P3 is that there is competitive tension in the procurement process. So the more bidders—and the better—that you have on that will drive the value. In terms of where they come from, there are consortia that are bidding on P3s in Canada from all over the world.

The Chair: Okay good. We have to end it there. We're way over on time.

Thank you.

Moving along, Mr. Hayes, you have the floor, sir.

Mr. Bryan Hayes (Sault Ste. Marie, CPC): Thank you, Mr. Chair.

Most of these questions are going to be directed to the deputy AG, Mr. Ricard. In your report, in paragraph 10.17, it was nice to see you actually give some recommendations in terms of an approach to minimizing government exposure to financing costs. You gave three recommendations. I won't repeat them verbatim, but there was a response given to the bottom two recommendations, the one being that the corporation's status could be changed from a non-agent to an agent, and the other that the corporation could deposit its advance funding in the consolidated revenue account.

Those were rejected in 2009. The arguments given were that PPP Canada, the Department of Finance, and the Treasury Board of Canada Secretariat considered the last two possibilities and according to government officials, these potential solutions were rejected because they were unduly complex and administratively burdensome, or they were inconsistent with government decisions regarding the status of the corporation as a non-agent of the crown.

Do you accept those arguments? If you don't, how would one go about changing those? I would think it would have to be a legislative change. That's my first question.

The second question is on your first recommendation, which is the one that quite frankly intrigues me. If I had to pick one of the three, this would be the one I would pick. So you guys get ready, because I'm going to be asking you the next question on the first one, which is:

The Corporation could obtain a written guarantee from the government that the P3 funding is available upon request, closer to the time of the Corporation's disbursements.

That sounds really logical to me.

Mr. Ricard, I think I've been clear on my question.

Mr. Sylvain Ricard: I think I understand your question. Maybe I'll just clarify one point. Paragraph 10.17 is not quite a recommendation. It's a list of examples of other models that could be used, and we're signalling in paragraph 10.18 that the last two were somewhat considered at the time the organization was set up.

Now, your question is whether we buy—I think that's the word you used—the argument.

Mr. Bryan Hayes: Do you agree?

Mr. Sylvain Ricard: By the simple fact that we put them here, not really, but one would have to have further discussion with the organization to see to what extent...and what considerations were looked into when one or the other was decided .

One point I mentioned earlier is the fact that when the decisions were made, back then the financing cost was not considered. So to an extent, the financing cost being brought back into the picture may influence the decision.

I don't know if I'm answering your question.

• (1720)

Mr. Bryan Hayes: Yes, indirectly. So let's step back to the first one, your first approach. I would prefer...and I've had this conversation with Mr. Ferguson before. For us and for departments to gain the greatest value from the Auditor General's department, recommendations are nice in terms of how to do things, because when you have a staff of 550 experts.... It's nice that you can identify approaches, but again, I'd prefer to see recommendations.

That being said, your first approach, that the corporation could obtain a written guarantee, is a great idea. Can you comment on why you gave that as an approach?

Then I'm going to go to Mr. Botham, and ask him to comment on that approach.

Mr. Sylvain Ricard: I'll go back to the first part of the question. Those are three examples that for us are models that could be considered. Yes, the first one makes a lot of sense, but for us, the three of them make a lot of sense.

To try to explain why there is a list and why we're saying that those are examples and that maybe there are others, it's that at the end of the day we're trying to be respectful of the fact that the policy decision about a given model or another one doesn't belong to us. We're saying, though, please do consider financing costs when you make that decision. That's why we left it at examples of scenarios or models.

Mr. Bryan Hayes: Okay. That being said, I'm going to come back to Mr. Botham in one second, but here's my question for you, Mr. Ricard. Are you recommending a certain optimal level of financing costs that is appropriate or are you suggesting that there should be no financing costs whatsoever?

Mr. Sylvain Ricard: I suppose having absolutely no financing costs is close to impossible, but again, one would have to look at various models. The reason for this is that at some point there's a need, given the model in place right now with the crown corporations. They need the money in their bank accounts at some point to be able to pay the projects.

Our message is, please don't give that money away too much ahead of time, especially considering the directive that is in place that prevents such advances to crown corporations. It's there exactly for the reason of reducing impacts on borrowing levels of the government.

The Chair: I'm sorry. Time has expired, and time is rapidly running out.

Thank you, Mr. Hayes.

Colleagues, I just want to point out that, given the time remaining and given the fact that I need this committee to make one quick decision about next week that shouldn't be controversial, we can do two more rounds. I would ask you to keep them to four minutes so we can get in under our timeframe.

For those checking, it would have meant four government questions, two from the official opposition, and one from the third party. That's pretty close to a balance, if you think about our normal rotation as two hours, which we had to artificially chop in half. With your support, that's what we'll do. We'll have two more speakers at four minutes each.

Mr. Byrne, you have the floor, sir.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): How long do I have?

The Chair: You have four minutes.

Hon. Gerry Byrne: Parliament has appropriated, through PPP Canada, a certain amount of funds. I understand the amount to be \$1.2 billion. That's over what period of time?

Mr. Greg Smith: It's over five fiscal years.

Hon. Gerry Byrne: Beginning in 2009.

Mr. Greg Smith: Yes.

Hon. Gerry Byrne: Would you be able to inform the committee of your forecast for the disbursement of funds in this fiscal year, next fiscal year, and the year after?

Mr. Greg Smith: Yes. In fact, we disclose that in our annual report. We're just in the final stages of completing our audit, of finalizing our audit report, but in the management discussion and analysis of our annual report, you'll see the projects and the expected cash flows.

Hon. Gerry Byrne: Can you inform this committee at this point in time of what this is?

Mr. Greg Smith: Yes.

Hon. Gerry Byrne: What is it?

Mr. Greg Smith: How much...?

Hon. Gerry Byrne: What is your forecasting for each fiscal year in disbursements to projects?

Mr. Greg Smith: Perhaps you can pose your next question. I'll just find my notes on that one.

Hon. Gerry Byrne: I'm assuming that it's probably not \$683 million. Would that be correct?

Mr. Greg Smith: It's actually significant.

Hon. Gerry Byrne: Well, then, since my time is limited, I'll let you get that information and I'll move to Mr. Botham.

Assuming that it's not quite \$683 million, Mr. Botham, it would be possible to defer disbursements to PPP Canada through the budget implementation act to actually extend the period of time from five years to, say, seven. It would provide a guarantee, a statutory guarantee, that PPP Canada would indeed receive a certain amount of funds with which they could negotiate partnership projects with clients or partners.

Why wasn't that done, given the fact that we are now in a situation where this nation is borrowing money to pay for its annual expenditures? If PPP Canada is not spending the money that it has coming into it, as appropriated for it by Parliament—and I'm assuming Mr. Smith might be able to give me an answer soon that says it's less than the \$683 million that it currently has in accounts—why wouldn't we simply allow that money to be used to offset deficit requirements and extend for an additional two years the period of time in which Parliament disburses to PPP Canada?

It seems like that would be the best way to minimize financing costs.

•(1725)

Mr. Richard Botham: I think it goes back to the initial premise, which is that for PPP Canada to enter into agreements with its provincial, territorial, and municipal partners for projects, it requires cash on hand. If the government were to limit the appropriations, PPP Canada would not be able to make those project commitments.

Hon. Gerry Byrne: But that's exactly my point. They have the cash on hand. They have a certain amount. If there was a statutory guarantee through the appropriation act that they were going to get the full \$1.2 billion.... I'm not quite reading this. Maybe there's a sensitivity or a nuance here that I'm just not getting. They're not entering into something to which they could not contractually adhere to. We could actually defer payments to them, which would eliminate borrowing costs or financing costs, and they could still meet their timelines.

Mr. Smith, if you want to jump in, if you do have that information, but in the meantime, Mr. Botham—

Mr. Greg Smith: In 2013-14, it will be \$14 million—

Hon. Gerry Byrne: It will be \$14 million.

Mr. Greg Smith: In 2014-15, it will be \$55 million; in 2015-16, \$40 million; in 2016-17, \$80 million; and in 2017-18 and thereafter we have commitments now for \$505 million.

The Chair: I'm sorry, but time has expired.

I must move along to Mr. Shipley.

I know, sir, you offered to truncate yours because of time. I do appreciate it. Thank you. You have the floor.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Chair.

Due to the time, I just really will have a question. It's following up a little bit.

When you're taking and you're securing significant amounts of money—and I don't think this one has been touched on, but I'm curious—when you look at where you're going to get it, are there specific credit ratings that you look at, in terms of security, in terms of where you get the money from?

Mr. Greg Smith: As set out in the Treasury Board policy that we have to adhere to, we're told where we can invest, what the ratings of those institutions are, what the products are that we can invest in, and the timeframes.

Mr. Bev Shipley: Have those changed since the initiation of the P3s?

Mr. Greg Smith: No, those were approved in 2008, at the inception of PPP Canada, and they still exist.

Mr. Bev Shipley: Has that ever been an issue in terms of the financing that you secure?

Mr. Greg Smith: No.

Mr. Bev Shipley: Thank you, Mr. Chair.

The Chair: Thank you, Bev. I appreciate your cooperation and assistance.

Colleagues, that brings us to the close of this meeting. I have three quick things.

First, thank you to our witnesses, our guests. I will advise you that the committee will reserve the right to determine whether we will have the second half of this meeting or whether the committee feels that one hour was good for this chapter. It won't be Tuesday that you're called back, but beyond that, be on standby. When and if the committee makes its decision, you'll be notified right away. Hopefully, if we do need you back, we can make that happen.

Again, thank you very much for coming today and answering the questions. We appreciate it.

Second, colleagues, right now we have nothing in the work plan for next week. However, we had a report writing day that we lost because of voting. I would suggest, especially given where we are in the cycle and the uncertainty, that we just notionally plan for at least report writing on Tuesday, possibly even Thursday also, if we're still here. During those meetings, we will have the option of making a determination about the continuation or not of this hearing. When the committee wishes, we can be seized of that.

Unless there are any other further matters to come before the committee—I'm seeing none—I want to again thank our guests from Guyana. It's been an honour having you here. We're pleased to have hosted you. I think we had a very productive session earlier, and we look forward to continuing engagement and continuing improvement in our oversight capacities. We wish you a safe journey home.

With that, colleagues, guests, this committee now stands adjourned.

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

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

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

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>