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

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**EVIDENCE**

**Thursday, May 28, 2015**

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**Chair**

**Mr. Larry Miller**



## Standing Committee on Transport, Infrastructure and Communities

Thursday, May 28, 2015

• (1530)

[English]

**The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)):** I call our meeting to order. Thank you to all of our witnesses.

We have two witnesses by video conference, Mr. Siemiatycki and Mr. Toderian.

With us here, from the Department of Industry, are Mr. Dagenais and Ms. Charette. Thank you to both of you.

We're going to start with our video conference witnesses first, in case of technical problems.

Mr. Siemiatycki, you have 10 minutes or less, please.

**Professor Matti Siemiatycki (Associate Professor, University of Toronto, As an Individual):** Thanks for the invitation to speak with you.

Infrastructure seems to be having a real moment here in Canada as well as abroad. It seems to be on the lips of media and political leaders, as well as getting policy and public attention. There's a lot of interest in this.

When it comes to infrastructure for government, government really has two main decision points. One is which projects to build, and the second point is how they should be procured. I want to touch upon both of these topics briefly within my 10 minutes.

With respect to which projects to build, we have a vast need for infrastructure right across this country. We're going to be spending billions and billions of dollars over the next decade. I think the key—and maybe this doesn't even bear saying, but I'll say it anyway—is that we need to be picking the right projects.

There's this sense that building any infrastructure is valuable, but really, to get the top social value and the top community value from these projects, we have to have mechanisms to pick the right projects. Investing in projects that don't deliver, that aren't the highest priorities, can lead to wasted public money. The project has to be maintained over decades. Also, there's a potential for loss of public confidence in our leaders to actually solve problems.

So we first pick the right projects, and second, focus not only on new projects but also on operations and maintenance. Once you build these things, they're in our communities for decades to come. They need to be maintained. That costs money. I've heard some estimates that the cost of construction is just 20% of the total life-cycle cost of a project. There could be as much as 80% future costs just in terms of operating and maintaining these. These are big

dollars. We have to have the money available to actually keep these projects running and in good order. Once you let them wear down, the costs really spiral to keep them up and running.

Let me shift now to talk about how we procure projects. In this vein, I want to speak specifically about public-private partnerships, which has been the majority of my research.

Public-private partnerships make up generally a small fraction of all infrastructure in the country. They're generally best for very large projects. Maybe 10% to 15% of all infrastructure investment goes through public-private partnerships, but these are also the biggest, highest-profile, costliest projects in our country. Generally the numbers are \$50 million to \$100 million and up. These are big projects, and there's also a lot of attention on these projects. This topic, then, has become one of great interest in terms of how we can deliver these big projects effectively.

Public-private partnerships have been used right across the country. There have been about 200 of them, maybe a little bit more, that are either done or are in the procurement process.

P3s means a lot of different things, but basically it contains three components. One is the parts of the process you are bundling and providing to the private sector. The private sector can take on anything from design, build, finance, operate, and maintain. That's one aspect, and the various components can vary. As the private sector takes on more functions, it also takes on more responsibility for delivering the project.

The second component of a public-private partnership is risk, and which risks in particular the private sector is going to take on. The big risks are construction risks, potential for cost overruns and delays; availability risk, that the facility is going to work as expected once it's opened; and then finally, demand risk, that the revenues are going to be there as was predicted. These are the types of risks, and they can vary on public-private partnerships.

The final point is the repayment mechanism. With what mechanism are they being repaid? There are only really two. They get repaid either through user fees and direct tolls, or they get repaid through availability payments, and that's direct payments from government. In our country, most projects are the availability payment type of deals, where the government pays them back entirely over the course of the project. What that means, importantly, is that public-private partnerships are not new money.

One of the motivations for using public-private partnerships historically has been to bring in new money. The public sector can tap private money to pay for infrastructure. It turns out that, the way we're doing these projects now—mostly as availability payment-type deals—these are not new money.

Then what are the other reasons you might do this? Really, this is about value for money. Can we leverage the private sector to deliver better projects than government would deliver on its own? That can be things such as innovation being brought forward, or life-cycle maintenance, that you have money actually ring-fenced in the contract to maintain the projects. That's another aspect that's very important. But there's also risk transfer, that the risks of major cost overruns are transferred from government to the private sector. That's another area where public-private partnerships are seen as a real opportunity.

• (1535)

In terms of how these projects have performed, the record on public-private partnerships here in Canada, I would divide public-private partnerships between the first projects that took place up until probably the end of the nineties, early 2000s, and this most recent generation over the last decade or so. In the most recent generation the projects have tended to be built on time and on budget, which is positive, so there's cost certainty. Once the projects are operational we haven't seen any major failures, any major contract renegotiations, or bankruptcies. That's been a concern about public-private partnerships and we haven't seen that.

If I were to try to identify why we're having some level of success with P3s, or public-private partnerships, so far, we tend not to transfer demand risk, which is very hard for the private sector to control. That's better maintained by government. We seek to strategically use private sector finance, so government has recognized that they should use private finance to transfer risk but not as a way to raise new money. Government is ultimately, for most projects, going to pay back almost the entire shot by themselves, so this is not new money.

We tended not to transfer operations to the private sector. These are mostly for design, build, finance, and some of the maintenance of the hard asset. We're not transferring the operations of this service, so this has maintained government flexibility, which I think has been a positive and has meant that our deals are not quite as inflexible or quite as prone to controversy and tensions as in other countries. Finally, we're counting these projects on the books, so this is on-balance sheet investment. This is not an accounting mirage.

While we're seeing successes in public-private partnerships here in Canada, I think there are some points and some outstanding issues we need to consider.

Public-private partnerships are not a cheap way to deliver infrastructure. In fact, up front they're quite expensive. They have higher construction costs. They have higher transaction costs. These are for the lawyers, the accountants, and the advisers to structure these deals. They also have much higher project finance costs. The private sector borrows money at much more expensive rates than what government can borrow at, so they have considerably higher costs. The Office of the Auditor General in Ontario did a study. It found that doing P3s was \$8 billion more expensive than if government had delivered the projects directly and effectively managed the risk. That's the key point, to effectively manage risk, then they could have saved \$8 billion. That's a real open question, but there is potential for savings there.

On the construction side, studies in Europe have found that public-private partnerships cost up to 25% more in terms of their upfront capital costs, so you're paying a premium. It's like buying an insurance policy against future risks. You're really paying a premium. The problem is that we don't have good data on whether that premium is actually value or not. There's not the evidence on what risks have happened on past projects. There's not the detailed studies of that. I think that's really problematic because, while we can say that public-private partnerships are delivered on time and on budget for the most part, we don't know what that's compared to. How much are we paying for that insurance premium and how much value is that giving? Could government actually deliver that project more effectively and manage the risk, instead of trying to transfer it, because risk transfer comes at a high cost?

There are a few other issues to raise. One is loss of policy flexibility. When you have these long-term contracts, it can pose real problems for government, who needs to make changes to how the facility is used or the rates that are being charged. There are all sorts of other issues. We can lose flexibility. That's caused tension on international projects. We're fairly early on in our experience with public-private partnerships, and so far so good, but we'll have to see down the road how that issue of flexibility comes up.

Another issue I want to talk about quickly is “the only game in town”. Public-private partnerships are one option, but we have to be very careful that we're not setting up structures that make this the only option that's available for, especially, municipalities to access senior-level government funding. This poses the potential issue that we're not using public-private partnerships because they deliver value but really just because we can access money. That can lead to real problems in terms of the incentives and projects being used that are not necessarily the best value. I think it's very important, then, that when we have funding models for delivering money to municipalities, especially, but also provinces, that these are not tied to a specific model. Public-private partnerships are one option for delivering infrastructure, but they need to be used in the ideal setting. We shouldn't be choosing in advance so that governments can access money. That can really lead to potentials of not carrying out accurate studies on the incentives and why we're using public-private partnerships.

A final point is around innovation and design, because we've heard a lot about how these projects are structured and that they drive innovation. The questions are what types of innovation, and innovation for whom. The types of innovation we tend to find are those around construction means and methods, innovations around finding ways to shrink the building, to make them so that they still provide the service but in smaller sizes and lower costs. These are really cost-saving innovations.

• (1540)

When it comes to architecture design and those types of issues for public-private partnerships, the observation is that they tended to be fairly average buildings and not necessarily great architecture or great design. That's not necessarily true in all cases but is a general observation. They haven't won a lot of major architecture awards. They're not necessarily the signature buildings in your community.

Not every building has to be a signature building, necessarily, but these facilities are public infrastructure that's going to be in our communities for decades to come. We need to make sure that the quality of these buildings in terms of architecture and design is there and is at the highest level possible. That's another area—a flag to raise—that we should pay attention to.

To wrap up very quickly, I have a few recommendations. I think we need to be carrying out studies of risk. We need to understand what the value of that risk transfer is. We're paying high premiums up front to transfer risk to the private sector, especially for construction. We don't know if we're getting value for that. Cost certainty is important, but not necessarily at all costs. Government might be able to manage risk rather than just transfer it and thus save money for taxpayers and citizens.

We need to develop a bureaucracy that has the skills to analyze and take part in these projects. These are complicated projects. As part of that, I think we need to be focusing on infrastructure broadly and not necessarily just on public-private partnerships. To that point, I would say with respect to PPP Canada that I think the organization should be rebranded and made broader. It should be made “Infrastructure Delivery Canada”.

We should be focusing on effectively delivering all infrastructure projects, not necessarily just public-private partnerships, and on

having funding mechanisms that focus on effective procurement, not necessarily just on incentivizing public-private partnerships. There are all sorts of innovative types of procurement models that might deliver value for Canadians. We need an agency that pushes effective and innovative procurement, not necessarily just public-private partnerships.

The final point I want to make is that we need to be leveraging information and becoming analytical organizations. Infrastructure and public-private partnerships have a lot of data that come out of them. We should be using that data to systematically evaluate how our projects are performing and to come up with new mechanisms and new tools to make sure the projects we build are performing and that in the future we come up with the mechanisms that are the most effective to deliver projects successfully.

Thank you. I'll leave it there.

• (1545)

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

We'll now move to you, Mr. Toderian, for 10 minutes, please.

**Mr. Brent Toderian (TODERIAN UrbanWORKS):** Thank you, Mr. Chairman. I really do appreciate the invitation to present to you. I'm very pleased to be participating in what is a very critical and timely conversation.

My name is Brent Toderian. I have been a practising city planning, city-maker, and urbanist for 23 years in five provinces and one territory. I spent about six years as Vancouver's chief planner, and about six years in key planning roles in Calgary as well. I also advise cities all over the world, as far away as Auckland, New Zealand, and Medellin, Colombia, on issues relating to transportation and infrastructure in particular, but I'm actually a generalist. I look at all issues of city-making.

I'm going to start my comments by saying it's my observation and the observation of the organization that I'm the founding president of, the Council for Canadian Urbanism, that Canada is badly in need of a cohesive and comprehensive national urban strategy, which would address a number of national issues, including affordable housing, urban infrastructure, and urban transportation. I'm going to focus my comments today specifically on urban transportation.

I'm sure I don't need to quote to this committee, Mr. Chairman, the many studies that have been done to quantify the massive costs to the economy, both local economies in our city regions and the national economy, of traffic congestion. In my opinion, the billions of dollars often cited in those studies don't take into account the full cost of traffic congestion to our economy, including the ripple effects around public health care costs, social inequity, and climate change.

In short, no matter who's doing the math, the math is probably bigger than we think and the consequences of the status quo are massive, in the billions of dollars, at both the local level and the national level.

A national transportation strategy should include, in my opinion, smart, significant, stable, and predictable funding for urban infrastructure projects for municipalities and city regions around Canada. Given that municipalities receive about 8¢ of every tax dollar in Canada, I think the tendency to expect local governments to fund a third of such projects, which is a typical expectation, when they don't come close to collecting a third of the actual tax revenue, really fundamentally needs to be rethought. We're seeing that notion play out in the incredible tensions in metro Vancouver right now, as our transit plebiscite is going on at the behest of the provincial government.

It's also critically important that we rethink what we're spending our infrastructure money on. As the previous speaker suggested, what are often called shovel-ready projects, the idea that anything is smart spending, really needs to be replaced with a focus towards prioritized smart projects that have a demonstrated track record of success in achieving our stated goals and particularly in terms of return on investment.

Cities like Vancouver, which I formerly planned for, and smart cities around the world that I'm working with now have shown clearly and irrefutably through data and analysis that continuing to fund and prioritize car-oriented road projects is very expensive. They provide less of a return on investment in everything from tax revenue generated to job creation, and most importantly, they actually don't work to solve the problem of traffic congestion.

We've understood for decades that because of what we call induced demand or the law of congestion, new road projects just fill up with new drivers and new trips as people change their behaviour in reaction to the new capacity. New development projects are built based on the anticipation of that car capacity, often referred to as sprawl in the suburban context. Studies have shown that anywhere between four and eight to ten years after construction, the lanes all just fill back up again.

It's a never-ending process of public spending, building, failing, spending, building, failing, and it just keeps going and keeps going. We've known this from way back in the 1950s. A very famous city expert, Lewis Mumford, said back in 1955 that building new roads to solve traffic congestion is like loosening your belt to solve obesity. We know it doesn't work. It just induces more people to drive.

Vancouver and other progressive cities around the world have shown that the combination of smart land-use decisions, which is of course a local government role... We often say in Vancouver the best transportation plan is a great land-use plan. If you get your land use right, it does an awful lot of the work for you, in combination with smart, prioritized funding for walking, biking, and public transit—and particularly in the context of this conversation, public transit. That infrastructure prioritized over car infrastructure spending is the only thing in Canada that has proven to be successful in actually achieving the many definitions of success that we as city planners and city-makers set for ourselves in terms of mobility. Lower commute times and fewer vehicle miles travelled are the things that

traffic engineers and city planners around Canada say we want to achieve, but the only city that has actually achieved them is Vancouver.

• (1550)

We achieved lower commute times and lower vehicle miles travelled by first of all saying no to freeways in the 1960s and early 1970s and by prioritizing walking, biking, and public transit infrastructure. For example, we never had to have the debate that Toronto and Montreal have been having lately about tearing down their freeway infrastructure, because we never built it in the first place. In doing that, and in doing smart land use combined with prioritized transit, walking, and biking spending, we actually made it easier for everyone in the city to get around, and for goods movement and economic activity to occur, with fewer actual cars in the city.

It's very important to say that everything I'm saying is not an anti-car message. We know, and the facts show, that if you design cities for cars, it fails for everyone, including drivers. But if you design a multimodal city that actually prioritizes transit, walking, and biking, it works better for everyone. It works better for the economy, because more economic activity can move in less space and with lower costs. It works better for everyone, including drivers. I'm going to repeat that: including drivers. It shows that this is not a war on the car. That's a bit of lazy political message that happens sometimes in some sensationalist and irresponsible media. The facts and the data show a much more interesting storyline about the potential success of our cities.

Based on the successes of Canadian and international best practices, Canada should be prioritizing infrastructure spending that makes transit, walking, and biking more inviting. This is not for ideological reasons, and not because voters are increasingly liking public transit and increasingly liking bikes, for example. It's for very pragmatic reasons. It's because it costs less, because it takes up less physical space in cities and city regions, and because it generates more spinoff effects in taxes generated and in job creation. The data shows that. Perhaps most importantly, it's because it actually works in improving the traffic congestion picture and addressing the economic consequences of traffic congestion on our economies.

This isn't a right or a left issue politically. This isn't about political ideology. This is about smart or dumb. It's about successful or unsuccessful. It's about more expensive or less expensive. Continuing to prioritize car-oriented infrastructure in shovel-ready projects or in any other way we prioritize Canadian infrastructure, despite all the data and evidence to show it's more expensive, takes up more space, has less spinoff benefits, and doesn't work, really has to be considered ideological.

I'll end with some good news, Mr. Chairman. The good news is that demographically speaking, we in Canada have a huge opportunity that we can either seize or squander. The millennial demographic group is predisposed, we know, towards urban choices, towards putting off getting their driver's licences and owning new cars. They're choosing transit, walking, and biking where they invest, where they live, and where they bring their creative talents if the infrastructure is there to support that choice for them.

At the same time, their parents, the baby boomers, are also aging and are also increasingly choosing the same things. The *Wall Street Journal* even coined the phrase "broken hipsters", because as they age, the baby boomer generation is starting to behave and make the same kinds of choices as their so-called hipster children.

That's a huge demographic tailwind. It says that the two largest demographic groups in human history are predisposed towards different priorities in infrastructure in transit, walking, and biking. It's just that our infrastructure decision-making hasn't caught up to that kind of thinking. If we do, our cities in Canada, and our nation as a country, will succeed against very smart global competition.

Many of the cities that are our competition I'm actually advising and working with around the world, and I can tell you that they're very smart. They're making smart, strategic decisions on what they want to spend their money on. If we don't smarten up, they will outdo us. But if we do smarten up, then we can beat the competition in terms of attracting the talent, the creativity, and the capital and investment. We won't just continue to be stuck in traffic.

•(1555)

Thank you very much, Mr. Chairman. I'll stop there. I look forward to your questions.

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

Ms. Charette, go ahead.

**Ms. Corinne Charette (Senior Assistant Deputy Minister, Spectrum, Information Technologies and Telecommunications, Department of Industry):** Thank you, Mr. Chairman.

[Translation]

I am here today to present on Industry Canada's work in regard to broadband infrastructure.

In the context of your review of infrastructure investment in Canada, I would like to provide an overview of the federal government's historical involvement in funding broadband infrastructure and an overview of the current broadband program, Connecting Canadians.

[English]

High-speed Internet access is essential infrastructure for today's digital economy. Along with other telecommunications services, Internet access contributes to the productivity and growth of the Canadian economy. High-speed Internet enables Canadians, businesses, and institutions to access information services and opportunities that otherwise would be out of reach.

[Translation]

Due to rapidly changing technologies and ever-increasing demand from consumers and businesses, telecommunications infrastructure requires continuous investment and innovation. The government's policy approach to telecom, including broadband Internet, has been to encourage competition and investment, protect consumers, and ensure access for all Canadians.

[English]

In Canada, private sector competition is driving investment in upgrades to broadband infrastructure. In particular, urban areas enjoy strong coverage, increasing speeds, and high-quality networks. However, rural and remote areas present a challenge that requires targeted government investment. Often, there simply isn't a business case for the private sector to build their networks in these areas, due to low population density and geographical challenges. The need for government funding is supported by a wide variety of studies and discussions with stakeholders.

[Translation]

My remarks today will focus specifically on rural and remote broadband. Broadband infrastructure encompasses the cables, towers, satellites and other equipment used to provide Internet access to households, businesses and institutions across Canada. As is common in many peer countries, the Canadian government has made targeted investments in rural broadband.

[English]

In 2000, the federal government created the national broadband task force to provide recommendations to address the digital divide and connect Canadians. Out of those recommendations, several programs were launched, including the broadband for rural and northern development pilot, or BRAND, and the national satellite initiative, which Industry Canada administered.

BRAND was a \$105-million cost-matching program to help address the lack of broadband access in first nations, Inuit, Métis, northern, rural, and remote communities. BRAND initially provided financial support to community-level plans for demand aggregation and network deployment.

In 2009, Industry Canada conducted a comprehensive study to identify areas in Canada where broadband Internet was unavailable or not easily available. As part of Canada's 2009 economic action plan, \$225 million was allocated over three years to extend broadband service to unserved and underserved households at speeds of at least 1.5 megabits per second. By the program's close in 2012, the government had invested in 84 projects to expand service to 218,000 previously unserved or underserved households. The delivery of broadband service to these communities has encouraged economic development, spurred innovation, and improved the quality of life in hundreds of communities across Canada.

Over the past decade, select broadband projects have also been supported by Infrastructure Canada, Aboriginal Affairs and Northern Development Canada, and regional development agencies and initiatives.

[Translation]

The federal government has also invested in CANARIE, an ultra-high speed optical backbone network that enables the transfer of large amounts of data generated by leading-edge research and big science from across Canada and around the world.

One million researchers, scientists and students at over 2000 Canadian institutions, including universities, colleges, research institutes, hospitals and government laboratories, have access to the CANARIE network.

Budget 2015 demonstrated Canada's continued support for CANARIE with renewed funding of \$105 million over the next 5 years.

Economic action plan 2014 provided \$36 million over 4 years to renew the Computers for Schools program, with an additional \$2 million over 2 years announced in economic action plan 2015, to expand the program and include not-for-profit organizations that support low-income Canadians, new Canadians and other disadvantaged groups.

- (1600)

Computers for Schools helps young Canadians develop computer literacy skills and will give them better access to computers and communications technology equipment.

[English]

Significant progress has been made through a competitive marketplace driving private sector investment and through targeted government investment.

According to the CRTC "Communications Monitoring Report", broadband coverage in Canada at basic speeds of 1.5 megabits per second was available to over 99% of households in 2012. Coverage at 5 megabits per second was available to 94% of households, which is in line with other peer countries. This is comparable to that of the United States and ahead of many European countries.

Coverage of Canadian next-generation networks is comparable to that of the United States and ahead of most European countries. Coverage at 30 megabits per second and in advanced LTE mobile networks fares very well internationally.

[Translation]

However, rural areas continue to lag in terms of coverage, available speeds, prices and service quality. Satellite-dependent communities in the north have the added challenge that their satellite capacity is on short-term leases, which prevents long-term planning.

Following the completion of the Broadband Canada program, Industry Canada and the CRTC worked together to identify gaps in service. Based on this work, the Connecting Canadians program was developed and announced in economic action plan 2014.

In April 2014, the Minister of Industry, the Honourable James Moore, released Digital Canada 150, a plan to advance Canada's efforts to being a global leader as a digital economy, setting out clear goals for what we can achieve by the time we celebrate our 150th anniversary in 2017. Digital Canada 150 is built on 5 pillars: connecting Canadians; protecting Canadians; economic opportunities; digital government; and Canadian content.

[English]

Under the connecting Canadians pillar, I would like to highlight the new connecting Canadians program, which provides \$305 million over five years to extend and enhance access to high-speed broadband networks at a target speed of at least 5 megabits per second. Connecting Canadians sets an objective to expand affordable access to high-quality broadband services to an additional 280,000 households in rural and remote areas of Canada by providing one-time, non-repayable federal contributions to Internet service providers to expand or upgrade broadband infrastructure.

The \$50 million northern component of connecting Canadians, we expect, will support connectivity at a target speed of 3 to 5 megabits per second for approximately 12,000 households in Nunavut and the Nunavik region of northern Quebec. These regions are among the most difficult to serve in Canada. Expensive satellites that cover the north are the only practical option to reach them.

[Translation]

The target speed of 5 Mbps was chosen based on a variety of factors, including deployment costs, the needs of end-users and upgrading service to a fairly broad number of households across Canada. It provides a meaningful improvement over the previous target of 1.5 Mbps.

These speeds will allow users to have better access to applications such as cloud computing, distance learning, e-health applications and high-definition video streaming. Partnerships are a key element of the Connecting Canadians program in order to build on past and previous investments, as well as to complement investments made by the provinces and territories.



• (1605)

[English]

Industry Canada undertook an extensive consultation process with Canadians, Internet service providers, provinces, and territories during the design and after the launch of the program. This included a call for Canadians and Internet service providers to provide feedback over the summer of 2014 to update national broadband coverage maps, which allowed us to identify underserved communities.

After updating the national coverage maps, a call for applications to connecting Canadians was launched on October 15, 2014. Submissions were due by January 12, 2015.

[Translation]

Industry Canada received over 300 applications from small and large Internet service providers from coast to coast. Then projects underwent a competitive national assessment process.

Applications were first assessed for essential criteria, and then those that met the essential criteria were further assessed on a number of comparative criteria, for example, the project's cost per household, the proposed number of households, sustainability and the scalability of the technology.

The purpose of the assessment was to identify projects that offer the greatest value for Canadians in terms of extending robust, affordable broadband service to rural and remote households without access at 5 Mbps.

[English]

The program is committed to working with partners to leverage funds. For example, British Columbia committed up to \$10 million to cofund projects in their province's 2015 budget.

**The Chair:** Ms. Charette, there is quite a bit left in your presentation but everybody has a copy of it and we're over the time, so we're going to go to questioning. I'm sorry about that.

**Ms. Corinne Charette:** That's very good.

**The Chair:** Could I just remind members that we have some committee business at the end? I'm going to be very strict today. There will be seven minutes for questions and answers.

Mr. Kellway, you have the floor for seven minutes.

**Mr. Matthew Kellway (Beaches—East York, NDP):** Thank you to the witnesses for making time for us today and for sharing your thoughts and expertise with us on this important issue of infrastructure in Canada. As you commented, it is a very timely issue. We're all abuzz about infrastructure these days.

Professor Siemiatycki, you mentioned an interesting point about the cost share between actual capital or construction costs for infrastructure and operations and maintenance, it being a 20-80 split respectively. This study is meant to take a retrospective view of investment and infrastructure in Canada, and I think the timing is 20 years.

The timing doesn't really matter. The data we've seen shows that there's been a slowing of infrastructure spending as a percentage of GDP in this country since the late 1950s or something like that,

leading to a low point in the late 1990s where there was a net depreciation of infrastructure in Canada. While the funds look bigger now, we've had a Parliamentary Budget Officer study also on the infrastructure funds under our current government showing significant lapses in funding, so continuing underinvestment in infrastructure funding in Canada.

Can you tell us whether this underinvestment in infrastructure, given that so much of the funding should be going to operations and maintenance, is costing us money? Is it more economical to provide stable, predictable funding to maintain operations and maintenance of built infrastructure in this country?

**Prof. Matti Siemiatycki:** Thanks for the question.

The issue of operations and maintenance is key. We all like new shiny things. Politically we like cutting ribbons. You don't see a lot of ribbon cutting when a building gets rehabilitated or when it gets maintained, but this is really critical. It's just like your house. If you take a year or two off, maybe the first year you don't notice anything, then the second year you start to see issues. If this continues over an extended period of time, the cost multiplies in terms of small things that then become major and need rehabilitation, and not just things that regular maintenance would pick up but serious rehabilitation and replacement, so the predictability of the funding is critical.

Part of the challenge is that operations and maintenance are often funded locally. If we think of transit, it gets provincial and federal funding for the capital costs, and then the operation and maintenance comes from the fare box. It comes from local government subsidies, and in some cases it comes from ad hoc contributions from different levels of government.

We need to make this much more predictable and ongoing. The numbers I cited around 20-80 are anecdotes that I hear when I go out to speak to infrastructure folks. It would be interesting to do a quantitative study over the long term. These things multiply. One of the points about public-private partnerships that is worth keeping in mind is that they do generally ring-fence money for operations and maintenance, so when you talk to senior government officials about them, they say they know they're paying more for this up front, but one of the things they do is put operations and maintenance, the life cycle of these assets, on the books for their whole life.

I don't think we necessarily need to be using public-private partnerships to lock that in. We, as a government, need to become much more sensible. If we're building assets new, we have to recognize that significant operation and maintenance costs are going to be predictable and are going to be there every year, because if we don't, it's going to add up and it's going to start to cost us in the long run.

• (1610)

**Mr. Matthew Kellway:** Are there actually any quantitative studies of the cost of underinvestment in infrastructure? Do you know of any?

**Prof. Matti Siemiatycki:** You know, in preparing for today, I looked. I didn't see any. But if you looked through engineering studies, which is not my home discipline, I'm sure you'd find stuff on the cost of operation and maintenance.

**Mr. Matthew Kellway:** Right.

But assuming that there are, Mr. Toderian, I'd like to ask you a question. You mentioned the inequity of a third, a third, and a third being split between different levels of government. Also, you'll probably be aware that the dedicated transit fund announced recently in the budget, because it's administered through PPP Canada, actually only makes a 25% contribution from the federal government.

If Professor Siemiatycki's numbers are right, that you have P3s adding 25% to the cost of the project, then you have a 42% burden of these transit projects falling on cities, and then you have the cost of underinvestment in infrastructure—and those costs fall locally—this seems to be becoming a bit of a nightmare for municipal governments across Canada. I don't know if you want to comment.

**Mr. Brent Toderian:** Well, I agree with your math and your assessment of the situation. I was perhaps being generous by referencing a third, a third, and a third. Also, the requirement for it to be P3 is quite a thing to saddle local municipalities with in return for that 25%, as you say.

You have to remember that, while year after year local cities and regions are being saddled with more and more financial responsibilities, at the same time they're not able to gather more municipal taxes. Also, we've seen what happens when they try to implement new tax forms, like with our Vancouver transit plebiscite. Even in a place as transit-friendly as the Vancouver region, the transit plebiscite has been a nightmare both politically and practically.

I think you're describing the problem well. But it's even worse in the sense of how much of what used to be provincial and federal responsibilities through tax incentives for rental housing, or various programs for daycare operations, and such, has been downloaded to municipalities over the years. I used to say that municipalities were being squeezed economically. Now I say they're being crushed.

**Mr. Matthew Kellway:** Thank you.

**The Chair:** You have three seconds left, so you're pretty well out of time.

**Mr. Matthew Kellway:** Okay, I'll take another crack at it next time.

**The Chair:** Okay.

Mr. McGuinty, you have seven minutes.

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

I'd like to turn to our witnesses from the department, Madame Charette and Monsieur Dagenais.

Madame Charette, in your remarks you listed for Canadians a number of different programs and gave an update on things. You talk about partnerships on page 6 of your written brief. I want to read a quote. The bullet point says, "Partnerships are a key element of the Connecting Canadians program in order to build on past and previous investments".

I want to talk about a past and previous investment, and I want to ask why, in your brief, you don't refer at all to the community access program? Why is it not listed here?

**Ms. Corinne Charette:** I think it certainly is an important program and the department is very proud of this program. Probably, in trying to focus on the broadband connectivity element, that was an oversight on our part, but it's an important program.

• (1615)

**Mr. David McGuinty:** It was a program that started in 1995, and it was a program that Mr. Moore eliminated in April of 2012, correct?

**Ms. Corinne Charette:** I would have to double-check on that.

**Mr. David McGuinty:** Okay. That would be good.

Now, it was cancelled on a Thursday night before a long weekend. It affected thousands and thousands of libraries and community centres that were partners with Industry Canada, the kinds of partnerships that you're referring to and that the government likes to point to. Its purpose was to provide a free or low-cost Internet access to the public, with technical support as well. Is that correct?

**Ms. Corinne Charette:** Yes, but that program has now been superseded by the computers for schools program. That program has, in fact, been designed to provide the device portion of connectivity, because the connectivity to most of those organizations was well advanced after a certain period of time.

**Mr. David McGuinty:** Before Stats Canada's long-form census was eliminated by the government—something they pursued here after George W. Bush tried to do it in Washington and then had to withdraw it because of the outcry—in 2010 they did an Internet use survey and here's what it told us.

It said that 79% of Canadian households had Internet connections. It said that 97% of the top income households had them but only 54% of low-income households had them, that is \$30,000 or less.

Your school program has no bearing at all on the millions of Canadians who live in households with \$30,000 or less. The program was eliminated with the stroke of a pen. It was all about trying to help folks who couldn't afford computers or high-speed connections deal with, for example, CRA tax forms. In fact, hundreds of thousands of Canadians were going to those municipal centres and those libraries to get help filing their taxes, which creates revenue for the government and helps with the efficiency of CRA.

Can you help us understand why a \$10 million or \$12 million a year program—which is one-third of the cost of the billboards put up by the government across the country—was eliminated? Do we have any rationale for this other than the fact that you say the Internet connections are now in schools?

**Ms. Corinne Charette:** The connecting Canadians program is in fact targeting households that are underserved. By the end of this program when it's fully deployed, over 98% of Canadian households, including those in rural and remote areas, will have access to speeds of 3 to 5 megabits per second download and 1.5 megabits per second upload.

**Mr. David McGuinty:** If they can afford it...

**Ms. Corinne Charette:** The applicants to these programs have to submit business cases. They're commercial enterprises and they come to us for these contributions, but at the end of the day they also have to propose their pricing, and the pricing for these services is competitive within these regions for the service.

We feel it is reaching that target.

**Mr. David McGuinty:** I'll go to question number two if I could, and that is about how in September of 2013 Mr. Moore, from the industry department, spent millions and millions of dollars of taxpayers' money attacking BCE, TELUS, and Rogers. It was unprecedented in Canadian history. No federal government had ever taken out ads on television, radio, and print to attack one of its leading industrial sectors. In fact, it led the former Conservative premier of New Brunswick, Mr. Chair—

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** On a point of order, Mr. Chair.

**The Chair:** Mr. Braid.

**Mr. Peter Braid:** I'm just seeking clarification, Mr. Chair, and trying to understand if Mr. McGuinty's line of questioning at all, including this most recent one, has anything to do with infrastructure and the scope of our study?

**The Chair:** Try to stick to the topic, Mr. McGuinty.

**Mr. David McGuinty:** It's up to you, Mr. Chair, whether you want me to answer the question for Mr. Braid so I can explain to him how this is connected. Or would you like me to continue with my questions?

**The Chair:** If you can explain how it's connected quickly, I guess you have that prerogative.

**Mr. David McGuinty:** Absolutely, as long as the clock has stopped.

The government can't waltz in here and claim that it's working with partners in the private sector and expect to have increased broadband access, if only two years ago it ran millions of dollars of attack ads, attacking the very companies it says it's now partnering with. That has a bearing on—

**The Chair:** We're talking about infrastructure, not attack ads.

**Mr. David McGuinty:** I didn't bring these witnesses in, Mr. Chair. These are not my witnesses.

• (1620)

**The Chair:** It's got nothing—

**Mr. David McGuinty:** These witnesses were brought in with respect to broadband Internet access, that's infrastructure.

**The Chair:** It's got nothing to do with ads that were two years ago. Stick to the subject and—

**Mr. David McGuinty:** It has everything to do with the ads from two years ago.

**The Chair:** Look, you have some time, two minutes and six seconds, so use it wisely.

**Mr. David McGuinty:** I want to go back and ask the question about what bearing the attack ads that were run—which led former Conservative Premier Bernard Lord to chide, chastise, and to criticize his own party in government—had on the partnerships you want to foster with these companies that were attacked? That's question number one.

As well, and most importantly, how much broadband could have been paid for using the resources they spent attacking our three top companies?

**Ms. Corinne Charette:** I would say that Industry Canada continues to maintain excellent partnerships with all of the telecommunications providers in the country, large and small alike. We spend a lot of time with each of them understanding their long-term evolution plans and how they go to market and so on.

I would also add that in the connecting Canadians program we did receive over 300 applications and they included applications from both large incumbents as well as smaller players, so I think we maintain good relationships with these companies.

**Mr. David McGuinty:** Thank you for that. That's good to hear. I'm glad the relationships are recovering after being attacked all over national television by this sitting government.

I want to ask what the costs are. It is your spectrum, information technologies, and telecommunication division that oversees this, so can you provide that for this committee? Can you tell us how much money was spent on this advertising and how much it would have helped? Give us a real comparable or comparative here. How could this money have been used to provide more broadband across Canada? More particularly, because the government won't give us the answer but I'm sure you have it, how much was spent—

**The Chair:** Your time is up—

**Mr. David McGuinty:** How much was spent on the ads?

**Ms. Corinne Charette:** We don't have this information at hand. I will take it back to the department to see if there is something we can provide, but it's not something we track.

**The Chair:** Thank you.

Mr. Watson, you have seven minutes.

**Mr. Jeff Watson (Essex, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses for appearing here today.

I think that was the most interesting line of questioning yet by Mr. McGuinty, arguing for a \$12-million-a-year program—in other words, what would have paid out \$36 million by now—against a \$305-million program, just for the sake of claiming credit for establishing a program in 1995. It sounds pretty small-minded, not to mention small-dollar.

In terms of reaching those who have questions about affordability of their service, the incentive being provided in the program, if I understand it, favours pricing plans that come in at much greater affordability for the consumer. Is that fair enough to say about the connecting Canadians program?

**Mr. Éric Dagenais (Assistant Deputy Minister, Spectrum, Information Technologies and Telecommunications, Department of Industry):** Yes, there is a series of criteria against which the projects were and are being evaluated. Affordability was a factor. More points were given to projects that had greater affordability—absolutely.

**Mr. Jeff Watson:** It's also true that this isn't about the major Internet service providers gaining access to funds like these. In fact, in rural communities like mine, it's much more about the Gosfield telco type of operations. In filling in gaps or improving or enhancing service, they are the ones who are able to tap into these incentives in order to provide better broadband. It's not a program that's restricted to big names but is opened up to every player of every size. Is that correct?

**Mr. Éric Dagenais:** That's correct. Of the 300 applications, we received applications from almost everybody, from the smallest to the largest. They're all looking to partner in this program.

**Mr. Jeff Watson:** Mr. Siemiatycki, could I turn to you for a moment? I need some clarification here.

I'm listening to the testimony. There was some question earlier about whether federal funds should be expanded to include operation or maintenance of infrastructure. With 95% of the infrastructure being owned by the provinces or the municipalities, on what basis are you asking the federal government to pay for and maintain infrastructure that in fact it doesn't even own?

**Prof. Matti Siemiatycki:** I think this point is primarily related to funding. We know that municipal governments have the smallest amount of incoming revenue. We know that the federal government has much larger pools of money.

We know that the federal government provides money for capital costs. This poses a real challenge when we understand that infrastructure really has these large upfront costs, but also has these very significant ongoing operation and maintenance costs. It's problematic if money is being spent to build these projects without necessarily having the revenue streams, the opportunities, to be able to keep them up and running and in a state of good repair.

We've seen across the country incidents where our infrastructure does run into serious problems in terms of its condition. We've had bridges collapse. Just recently here in Toronto, we had facades falling off social housing buildings. These are really major infrastructure deficits, and there are huge maintenance backlogs well beyond the capacity of local governments and municipalities to pay for in regard to these assets.

I think it behooves the federal government, when thinking about where to best spend money and when we have a \$54-billion or \$55-billion infrastructure plan coming over the next decade, to think not only about building new stuff, stuff where you can cut nice ribbons and gain political credit—I think that's good—but also about how we're going to operate and maintain what we already have, because

that has value. It creates jobs as well and it ensures that these things can encourage our productivity.

• (1625)

**Mr. Jeff Watson:** Perhaps to sum it up, Mr. Siemiatycki, the basis for the feds maintaining infrastructure they don't own is simply because the money's there: that's what I understand you to say.

In terms of what federal funds are available for, there are a number of things. We have a number of different revenue streams available. Some of them are application-based and grant-based. Some, like the gas tax fund, are direct transfers. We've created an incredible amount of flex. In fact, we've broadened the number of categories that are available to municipalities. That would include repairing and maintaining bridges and culverts. It would include replacing aged water systems and water mains, which a lot of municipalities are doing, particularly rural municipalities that I can speak to, even in Essex County. There's a lot of flexibility in there in order for municipalities to address some of the issues of aging infrastructure, and many of them are doing that. So I'm not sure what, when I hear....

The other thing is that when you're talking about “picking the right projects”—that's a comment I heard you say earlier relative to the choices of the federal government—I can say that the federal government is not the one out there picking the projects. They give the municipalities and the provinces the flexibilities to determine their capital spending priorities. In other words, this really isn't about ribbon-cutting. It's actually about municipalities making decisions about what kind of infrastructure.

Are you suggesting we should take the choice away from municipalities, tell them what their priorities ought to be, and be the ones selecting their projects?

**Prof. Matti Siemiatycki:** I think each municipality has its own interests and concerns, and I think we have to be very aware of that. Yes, there's a role at the local level, but surely the federal government, when allocating huge amounts of federal dollars, needs to be considering and using cost-benefit analyses and different types of evaluative tools to understand which projects they should be allocating money to.

I would pick the example of the Scarborough subway. That project —

**Mr. Jeff Watson:** Which categories of infrastructure eligibility in federal programs would you suggest the federal government eliminate, then, for municipalities?

**The Chair:** That's the last question.

Go ahead.

**Prof. Matti Siemiatycki:** I don't know if I understand the question.

**Mr. Jeff Watson:** You're suggesting that certain projects should be favoured over others. Which categories of eligibility that we've given to municipalities, then, constitute the wrong projects and therefore should be removed from eligibility criteria?

**Prof. Matti Siemiatycki:** I don't think it's on a project class, or in the programs; I think it's in the details of which projects are being selected.

Take something like the Scarborough subway. In the absence of detailed studies that show which projects... The federal government has already approved money for that project, and it doesn't seem like there was extensive study in detailing why that was the project, over all the other various options in this region, let alone this whole country, that needed investment.

I think this is not picking which asset bundles, this is picking project by project. The federal government, as federal governments do in a lot of other jurisdictions, can play a role in supporting decision-making that picks effective projects that will deliver the most value. Infrastructure on its own is—

•(1630)

**The Chair:** Thank you.

Mr. Komarnicki, you have seven minutes.

**Mr. Ed Komarnicki (Souris—Moose Mountain, CPC):** Thank you.

I'll start with you, Mr. Siemiatycki. When I was listening to you, I said, "I think he likes P3s and I think maybe he doesn't." There were some good points and some bad points. I would take it that each project is different and not all are best suited, so you have to look at the overall picture before deciding how you might go. I appreciate the fact that a lot of expertise is required at the contractor level, the lawyer level, the accountant level, and so on. Those are all important.

One witness who was here before us indicated that part of the problem with cost overruns and the huge cost of building a particular project is that you have one party doing the design work and they're not necessarily taking into account the construction. Then you have somebody else doing the construction and they don't take into account the maintenance later, or what might be involved to do that. So you don't have the optimum utilization of dollars for the project, yet if you're getting one person to see all three, there are some gains to be made by that, and some advantages.

I know you said that the architectural designs may not be quite like you or others would have liked them; maybe there are some compromises that are made there. Do you see that area as something that is advantaged if you have someone who has the expertise, capability, and *gravitas* to do all three?

**Prof. Matti Siemiatycki:** I would recommend design-build type contracts. They are really in many ways par for the course in a lot of infrastructure projects, so we're already bundling that. Cost overruns are a major issue on megaprojects and getting a handle on that is really important.

I would say that bundling design, build, and finance for that initial construction period is quite a sensible bundle. When you have the operation and maintenance in the bundle, and the long-term finance,

private finance is much more expensive because the risk profile goes down significantly after the construction period is over. Do you need that finance in there over the whole period? I would suggest that in Canada, we've generally been more sensible in paying out what are known as milestone or substantial completion payments to try to remove some of that financing at periods earlier on so that the government is not paying the much higher borrowing cost over the entire life of the project.

**Mr. Ed Komarnicki:** It would be fair to say, from what you're telling us, that there is a cost to management, there's a cost to finance, and anyone undertaking that project has to build that in. Presumably you'd want to calculate that somehow, or have someone crunch the numbers to say if that is advisable or not in this case. It depends, I suppose, on the capacity the municipality or city has to be able to manage long term.

**Prof. Matti Siemiatycki:** I think the part that's problematic is that we don't have detailed studies of what the alternative is.

I did a study in 2012 that tried to look into this value-for-money idea. We looked for detailed studies of risks on past projects. This is basically about risk and the cost of transferring versus managing risk. We looked for the detailed studies that were the basis for the assumption that public-private partnerships control them. Those studies have not been done, and the Auditor General just confirmed that in his 2014 report.

It's like buying an insurance policy that you don't know the cost of. You don't know what your real upside risk is if those eventualities occur.

**Mr. Ed Komarnicki:** It's not just with respect to these types of projects that you might find lack of data or studies, but generally municipalities are not necessarily particularly good at asset management, nor do they have the capacity to do that. I know the gas tax fund has allowed for purchases to be made to track that. I know in my profession we tried really hard to make sure everyone had the tools they needed at their disposal, whether it was computers or software, and the know-how to track assets, to get details, and to have the numbers available so an analysis can be done.

Are you a proponent of ensuring that there is the capacity to at least provide data for people like you, and then secondly to track assets for the particular municipality or institution concerned?

•(1635)

**Prof. Matti Siemiatycki:** What I was getting at with my final point in my comments was that data is key. These projects put out a digital exhaust, a data exhaust. There is tons of information, and I think we could be using it to analyze performance and best practices. I think the federal government could play a much more information coordinating role beyond just P3s.

The idea of PPP Canada seems to suggest that P3s are the only innovative construction method. There are many others that bundle. There's alliance contracting. There's construction management at risk. There are all sorts of other mechanisms. I'd like to see their mandate broaden to be "Infrastructure Procurement Canada", "Infrastructure Delivery Canada", and then they could serve the role of collecting and compiling data across the whole country, so that we can be learning lessons not just about P3s, which are innovative and have the potential to deliver value under certain conditions, but across all types of infrastructure.

The final point I'd raise is that P3s are only for a small fraction of projects. What about all the other procurements that fall either below this size or don't meet the criteria. We still need to be delivering those projects effectively too, and I think the federal government could play an important coordinating, information gathering, and knowledge centre role in encouraging that.

**Mr. Ed Komarnicki:** If I have some time left I'll move to Mr. Toderian. Do I have time, Mr. Chair?

**The Chair:** Yes, you have slightly less than a minute.

**Mr. Ed Komarnicki:** Okay.

You indicated that municipalities or cities don't necessarily prioritize what needs to be done, but are going after a program that maybe has a grant or such. The gas tax fund that was mentioned earlier has a broad range of things that municipalities can utilize. With both that and the GST rebate, a significant number of dollars is given to the municipalities, and then they decide where their priorities are and where those moneys go. Is that something you favour?

**The Chair:** You have 15 seconds.

**Mr. Brent Toderian:** I certainly do, and the key is to make that predictable and longer term.

There are two things I have observed. First is that usually cities have to constantly guess about what the next funding will be, which makes it very difficult to think long term, which cities try to do. Second is that there is already a federal directive being given with regard to the types of priorities, in keeping with the comment made by a previous questioner.

Regarding shovel-ready projects, in my experience, having responded to federal calls for shovel-ready projects, as soon as you say "shovel ready", by definition that is telling municipalities what types of projects—and in some cases, what specific projects—they can and should put forward. To the suggestion that the federal government saying that smart projects should proceed is limiting local municipalities' flexibility, I would suggest that the federal government has already been limiting municipalities' flexibility, an example being by insisting that projects be shovel ready.

**Mr. Ed Komarnicki:** I think I've used up the 15 seconds, and I must be beyond that, Chair.

**The Chair:** I'm trying to be flexible, but we are on a timeline of seven minutes for questions and answers. Now we're moving to five minutes for questions and answers.

Mr. Mai.

[*Translation*]

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

I'd also like to thank the witnesses here today, as well as those joining us via videoconference.

My question is for Mr. Toderian.

You talked about the importance of public transit and about cycling and pedestrians. The federal government, however, is responsible for infrastructure. In the budget, the government earmarked future funding for public transit, but it isn't effective yet.

The P3 approach is another factor. We don't have a national plan or federal strategy for public transit.

From your experience and given what other countries have done, how would a national public transit plan help?

[*English*]

**Mr. Brent Toderian:** I think, to compare it to certain countries that are doing better than we are, it is the size of the funding, its predictability over the long term, and the fact that it's prioritized towards the kind of infrastructure that we know has bigger gains in terms of economic spinoffs, like mass transit. Walking and biking can sometimes be perceived as local issues, but I feel they should be bundled into active transport or other kinds of categories like that to suggest that they actually work together to help build what are called multimodal cities that give lots of options both for the economy and for people moving.

I've seen other examples in parts of the world that are actually doing worse than we are. If it gives us any comfort, there are places that are doing worse than we are. Australia, for example, at the federal level, only allows funding for roads. It doesn't even allow funding at the federal level for transit, which really puts local municipalities and states into a tough fix. But I think to say that we're better than Australia is faint praise.

The need for a national transit and transportation strategy is really about recognizing that every single city in Canada has recognized that mass transit is a critical component of the region's success and economy, in every way we measure success. Every single one is struggling with the funding.

Not only does the federal government need to provide at least a third and more, but it needs to provide probably more flexibility—in partnership with the provinces, of course—for municipalities to be able to raise funds. Right now municipalities are expected to pay too much of the capital costs, given their limited funding tools, and as has been stated, they are expected to do all the maintenance.

To the party who raised the issue of ownership, I would suggest that municipalities would probably be glad if other levels of government would take more ownership, if they would actually provide the maintenance, or municipalities would be glad to have the ownership and the maintenance if the federal government and provincial governments were willing to restructure the essential funding of where the tax dollars go to match ownership.

• (1640)

[Translation]

**Mr. Hoang Mai:** You mentioned Australia. Could you give us an example of a country in the opposite situation, in other words, a federal government with a public transit plan?

[English]

**Mr. Brent Toderian:** Certainly throughout Europe and particularly in Asia, I would say, and even in new places like the Middle East, they are investing massively, by a multiplier of a hundred, in mass transit specifically, and these are parts of the world that until very recently were doubling down on car infrastructure. They've had an epiphany in a relatively short period of time about the smarter investment that public transit represents and they're putting their considerable funding power towards the new bet on public transit.

Then all over the world we see everything from.... Just recently the Government of Turkey announced that they were going to fund the providing of one million bicycles, which is a rather unusual example. I'm not suggesting that for the Canadian government, but it shows how federal governments all over the world are starting to think in the details about how to do more with less. These are countries that start off having less money than us, but frankly, we could learn a lot from their creative and frugal nature because no federal government has as much money as it would like to have.

**The Chair:** Thank you.

Mr. Braid, you have five minutes.

**Mr. Peter Braid:** Thank you very much, Mr. Chair.

As I only have five minutes, I want to go as quickly as I can here. I want to start with Industry Canada officials. Broadband and connectivity is also an eligible category under the new building Canada plan. I want to ask you if you could please help us understand how the two plans mesh, how the Infrastructure Canada plan and the Industry Canada plan with respect to broadband and connectivity mesh, or for example, how there may be one project where both programs are supporting it.

Could you help us understand that? That's the crux of the issue here.

**Mr. Éric Dagenais:** Sure. The connectivity programs are eligible. What we found in talking to Infrastructure Canada is that provinces tend to put forward other types of projects, so connectivity projects in this environment tend to be lower down the line. The other issue is

in terms of the eligibility of funding connectivity projects that would be put forward by the private sector partner are only eligible for up to 25% of total funding, whereas under the connecting Canadians program in the rural areas it's up to 50% and in the northern and remote areas it's up to 75%. The terms I think are a little more conducive under the connecting Canadians program, so they tend to be coming in through this.

• (1645)

**Mr. Peter Braid:** Understood. Are you aware of a project where both programs have been involved yet?

**Mr. Éric Dagenais:** No. I'd have to go back, but I'm not aware.

**Mr. Peter Braid:** That's fine. Okay.

It may come. It's a decade—

**Mr. Éric Dagenais:** There are other federal programs though that can make up, so in an instance where we're funding 50% there can be another 25% coming from other federal programs, be it the regional development agencies or Aboriginal Affairs. There are other federal programs that can supplement the money that would be funded through the connecting Canadians program.

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

Professor Siemiatycki, with respect to P3s, you were talking about the transfer of a “construction risk” with P3s. What do you mean by construction risk?

**Prof. Matti Siemiatycki:** The risk of projects going over budget and of delays, basically. What happens is by bundling construction and design and then having finance there, what the government does is it transfers the risk of project cost overruns so that if something happens and the cost of that escalates, in theory the private sector is supposed to manage that risk.

We've seen a couple of examples of that here in Ontario where projects have had cost overruns. We had one, the Windsor-Essex parkway, where the private sector contractor put in a set of 300 girders that weren't up to Canadian standards. They negotiated. They had a discussion and a debate about it, and ultimately the private sector party had to pay to replace those and by all accounts—at least as far as what has been publicly reported—the government is not paying more for that. That's what I mean by risk transfer. There's also the risk of projects being delayed. Delay is a major issue too and the record is pretty good on that as well.

We are seeing some level of success there, of effective construction through these, and that's why I would advocate design-build-finance. I think that bundle is quite effective. The longer term operation and maintenance, that is where the real costs, especially of the finance, start to come in and government starts to lose flexibility.

**Mr. Peter Braid:** Okay, understood.

I think you also went on to say that in some cases P3s can perhaps be more expensive to procure than if government has “effectively managed the risk”. Now that can be a big if, can it not?

**Prof. Matti Siemiatycki:** It's the ultimate if. It's the big question. There's been a view that government doesn't do a very good job on this, and I think we could all point to projects on which they haven't done well. What we don't know is how we do not just on the sort of high-profile projects that have had huge failures but over the whole portfolio of infrastructure. Off the top of our heads, we could all pick the projects that have had terrible cost overruns, but how do they do on the whole portfolio, and could government actually manage that better if they became more skilled contract managers themselves, and I guess, could the federal government play a role in doing that? The cost of transferring risk is very high. It's not that there's no value; it's just that it's really expensive to do that. Could we come up in-house with ways of managing those risks better to try to save some of that additional cost?

**The Chair:** You're out of time, sorry.

**Mr. Peter Braid:** I had one more really good question.

**The Chair:** I'm sure it's a very good one. You can save it.

Mr. Kellway, go ahead for five minutes.

**Mr. Matthew Kellway:** Thank you.

It's wonderful to have another opportunity to ask some questions of our witnesses.

Mr. Watson, in his opportunity to ask questions, gave us a clinic on this government's failure to understand the importance of cities to the success—economically, socially, and ecologically—of Canada, and the implications for all Canadians, frankly, for us as a country, of failing to make investments in the infrastructure of our cities. When the government brought Infrastructure Canada to the committee to be witnesses, to talk to us about these things, we found out that the funding for infrastructure under the new building Canada fund is entirely without objectives, without policy, and without data to inform it.

I'm wondering, Mr. Toderian, especially given your experience with cities around the world, if you might suggest to us what kind of criteria ought to be attached at the federal level to infrastructure spending in municipalities in this country.

• (1650)

**Mr. Brent Toderian:** Well, it's a great question, and I wish I could give you a perfectly formed answer. It's actually something I've been thinking about for a while but haven't come to a resolution on. I think I would suggest a new relationship among the federal government, the provinces, and the cities to work together to come up with a series of criteria that I think would include the cities' definitions of success. Of course, given the constitutional nature of cities, the provinces have to be part of that conversation. I do believe that cities understand the success of cities better than any other level of government does, so I think the cities should take a lead through maybe the big city mayors' caucus or other things, in defining “success” in cities.

But I think it should also include strong criteria around return on investment in terms of spinoff effects for job creation, tax generation, and other things like that, but also things relating to social equity,

public health, climate change, etc. I think a framework of that kind of smart infrastructure decision making could be made, with the cities in a leadership role.

My sense of the data that whizzes by my eyes every single day is that if that kind of exercise were done, public transit, walking, and biking would come out significantly ahead. We've seen that, in everything from return on investment to job creation, various pieces of studies that have yet to be pulled together into something comprehensive for our national conversation are suggesting that transit, walking, and biking projects outperform. The data is on the side of what I'm talking about, which is why I say this is not ideological. Frankly, there are a lot of people who support transit, walking, and biking for various reasons, including ideological reasons. I'm very much motivated by a pragmatic need for our city regions to succeed in every way that we define success.

**Mr. Matthew Kellway:** Thank you very much.

Professor Siemiatycki, I'm wondering if you could take a crack at answering the same question. What criteria would you apply to federal funding for municipal infrastructure?

**Prof. Matti Siemiatycki:** I would echo a lot of what Mr. Toderian said. I think the role of the federal government is to support the priorities of our regions but also to have criteria to make sure that the projects that are being invested in are delivering a return on investment, at the very minimum a cost-benefit study of what the outcomes are, are likely to be, and the benefit of that project. I would probably frame it even more broadly in terms of a regional plan so that local governments were encouraged to at least develop regional plans at the outset and then the federal government would fund projects at the top of that list.

I would also encourage the funding not to be tied to a project delivery model. There are going to be cases where one model is effective. There are going to be other cases where it's not effective, and I think we have to leave that quite open-ended. I think it incurs risk when municipalities are told they can get money if they use this procurement model. The risks might not be allocated and they might be paying far higher prices than they have to, in certain circumstances.

**The Chair:** Thank you.

I'll now move to Mr. Braid for five minutes.

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

Mr. Toderian, if the objective of the new building Canada plan and projects supported under the plan is to promote economic growth, job creation, and productivity, would you support that?



**Mr. Brent Toderian:** I think that should be one of the objectives. I think the economic sustainability piece of the puzzle is very important and everything I've been talking about is very much in keeping with economic success, return on investment. But I think that that economic analysis—

**Mr. Peter Braid:** That's exactly what the objective of projects supported under the new building Canada plan is.

If public transit were an eligible category under every component of the new building Canada plan, would you support that?

• (1655)

**Mr. Brent Toderian:** I'm suggesting that if you establish criteria in the way that I'm talking about, I think public transit will rise to the top of the analysis.

**Mr. Peter Braid:** Because public transit is an eligible category.

**Mr. Brent Toderian:** Certainly I support anything that prioritizes public transit because of its return on investment and success.

**Mr. Peter Braid:** That's excellent.

**The Chair:** You have point of order, Mr. Kellway.

**Mr. Matthew Kellway:** We're here, Mr. Chair, doing a study in the spirit of learning from the people whom we call to be witnesses. Rather than treating them with the kind of hostility that we've seen from the other side, it would be useful for all of us—I'm interested in the answers to Mr. Braid's and Mr. Watson's questions—if we allowed the witnesses to answer the questions.

**Mr. Peter Braid:** I'm just concerned about the limited time.

**The Chair:** I get your point. Short questions are good.

**Mr. Peter Braid:** Yes, exactly.

Professor Siemiatycki, one of your points I heard you make as well is that you'd like to see the mandate of PPP Canada expanded, if you will, to perhaps consider other alternative funding and financing mechanisms. Is that correct?

**Prof. Matti Siemiatycki:** Yes.

**Mr. Peter Braid:** That's great.

The new public transit fund, which our government has established under our recent budget, will do just that. The new public transit fund will explore the supportive projects, not only P3 projects for public transit but also projects that may utilize alternative funding or financing mechanisms. Is that the sort of thing that you're looking for in expanding the mandate of PPP Canada, and if so, what types of alternative funding and financing mechanisms might there be that you would suggest be considered?

**Prof. Matti Siemiatycki:** I would first ask, who's evaluating the successful applications, and on what basis? I think when organizations are specifically focused on P3s, their lens is to look for projects that suit the P3 model. That can also encourage those who are doing the applications to try to tailor their projects to P3s. I think the group that's evaluating has to be independent from having a mandate to promote P3s.

In terms of other models, there are a variety of different approaches to delivering infrastructure. As I mentioned, construction management at risk is one that's gaining in popularity. That's more of an alliance type of contracting that starts early on in the process. That would be one. There are alliance types of contracting. There is design-build, which doesn't technically fall under private-public partnership but encourages the private sector to collaborate earlier on in terms of construction and design. That comes together much earlier on.

The key is to pick the right model for the right project. Then I think it's to have a group to evaluate these projects that's independent of one approach, whether it be traditional or public-private partnerships, to make both the studies and the adjudication on which one we should go with.

**Mr. Peter Braid:** Mr. Toderian, under the new building Canada plan, it's the municipalities who identify their infrastructure projects. It's a bottom-up approach, not a top-down approach. Do you agree with that approach? Is it the municipalities, and in turn the provinces, who should be identifying their local infrastructure priorities?

**Mr. Brent Toderian:** I think there's nothing wrong with the federal level of government saying what types of priorities and definitions of success they'd like to see at the federal level, but in the conversation between the federal government, the provinces, and the cities, I do believe the cities should probably have the most powerful voice.

Again, I would point out that establishing criteria, such as shovel ready or P3s are required, is having a significant effect on the flexibility of the types of projects that municipalities can move forward on.

**The Chair:** Thank you.

Mr. Toderian, just on that last comment, you mentioned that cities should have a higher order of preference, or more say, than the provinces. Do you mean cities and rural municipalities, or just cities?

• (1700)

**Mr. Brent Toderian:** Forgive me, I should say municipalities. The "local level" is the best way to put it.

I'm not even sure I prefer the word "cities". I like "city regions", which often includes rural areas, of course.

**The Chair:** Okay. That's good. I thought that's what you meant, but I thought it was worth clarifying.

To all our witnesses, thank you for being here. Thank you very much for your participation.

Members, we'll now suspend for a couple minutes while we go in camera for some committee business.

[*Proceedings continue in camera*]





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