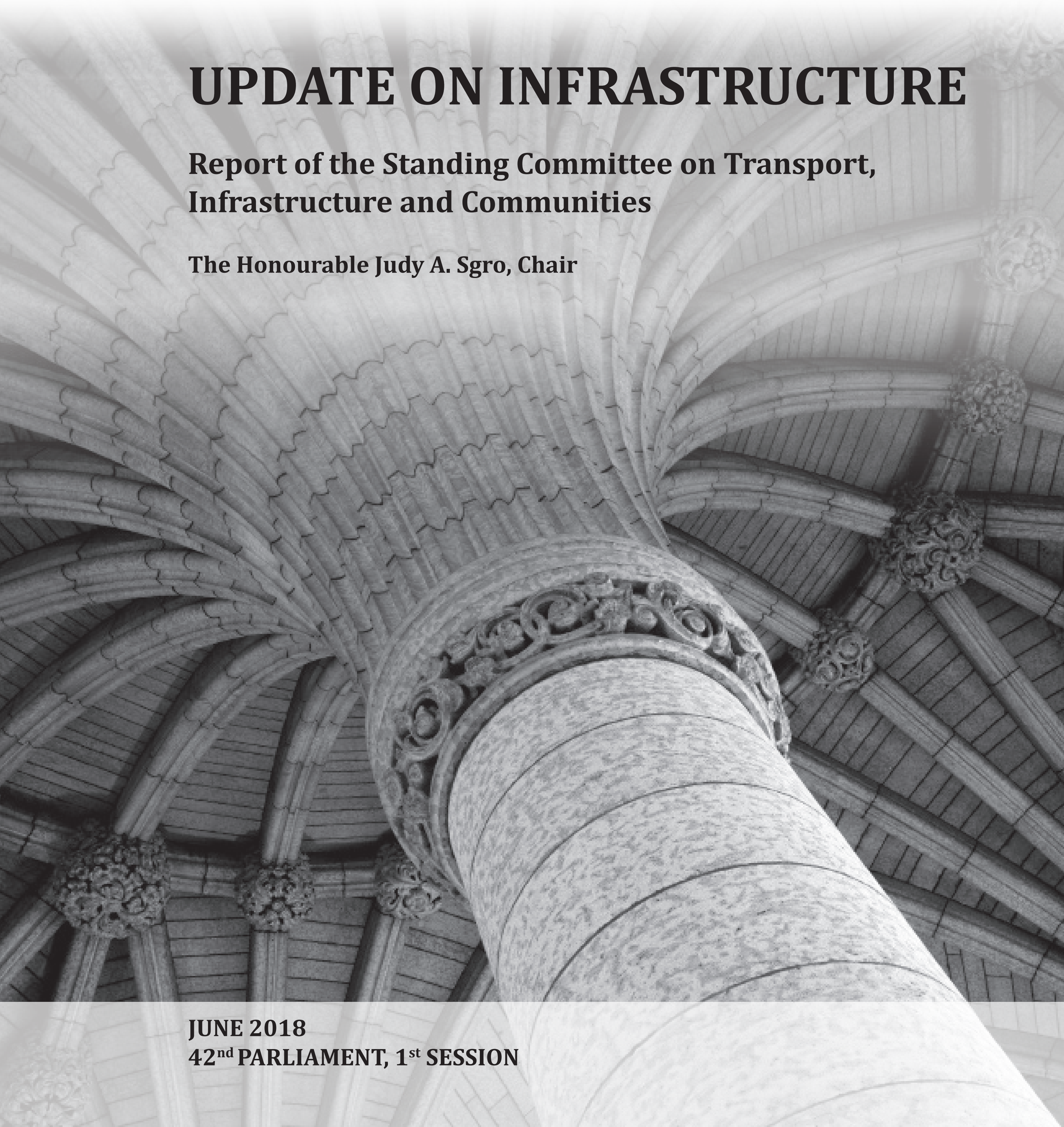
HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

UPDATE ON INFRASTRUCTURE

Report of the Standing Committee on Transport, Infrastructure and Communities

The Honourable Judy A. Sgro, Chair



JUNE 2018
42nd PARLIAMENT, 1st SESSION

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Chair

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NOTICE TO READER

Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON TRANSPORT, INFRASTRUCTURE AND COMMUNITIES

has the honour to present its

TWENTY-FIFTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied an update on infrastructure projects and the Investing in Canada Plan and has agreed to report the following:

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LIST OF RECOMMENDATIONS

As a result of their deliberations, committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

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UPDATE ON INFRASTRUCTURE

INTRODUCTION

On Wednesday, March 21, 2018, the House of Commons Standing Committee on Transport, Infrastructure and Communities adopted a motion to undertake a study of the Government of Canada's infrastructure projects and the Investing in Canada Plan. The motion identifies three overarching topics the Committee wished to explore:

1. measures to prevent delays in the implementation of infrastructure projects;

2. the progress of infrastructure projects to date; and

3. an update on the government's plan to spend $186.7 billion on infrastructure.

The Committee devoted six meetings to the study, heard from 30 witnesses and received two written briefs.

BACKGROUND

Overview

In Budget 2016, the federal government presented its new infrastructure plan, "Investing in Canada." Appearing before the Committee, Amarjeet Sohi, Minister of Infrastructure and Communities, explained that the Investing in Canada plan is "designed to help grow the economy, build inclusive communities, and support a low-carbon green economy."

Jason Jacques of the Office of the Parliamentary Budget Officer (PBO) told the Committee that Phase 1 of the plan includes funding of $14.4 billion "focused primarily on infrastructure investments over 2016-17 and 2017-18, and provides a boost to economic activity in the short term." Budget 2016 announced a streamlined process for releasing funds for priority projects in the areas of public transit and clean water and wastewater infrastructure, namely the Clean Water and Wastewater Fund (CWWF) and Public Transit Infrastructure Fund (PTIF).

Starting in April 2016, Infrastructure Canada and its provincial and territorial counterparts began signing bilateral agreements to implement the CWWF and PTIF. The agreements include each party's commitments and obligations, the process for identifying and approving projects, reporting requirements, terms and conditions of payment and program details.

In its *Fall Economic Statement 2016*, the federal government offered details on Phase 2 of its infrastructure plan. It proposed an additional investment of $81.2 billion over 11 years, starting in 2017–2018. The combined total for existing infrastructure programs and new investments is $186.7 billion from 2016–2017 to 2027–2028.

On 29 March 2018, the PBO published a status report on Phase 1 of the new infrastructure plan. According to the data compiled by the PBO, nearly half of the total Phase 1 budget has yet to be allocated to projects. Mr. Jacques told the Committee that this implied that federal spending under Phase 1 "is delayed compared to the original timelines presented in budget 2016." However, he was careful to point out that the PBO report's snapshot of Phase 1 had been taken in December 2017 and that projects may have been approved since then. He also noted that data from some departments concerning several hundred million dollars of investments was not included because these departments submitted late responses.

Based on Department of Finance estimates, Budget 2016 stated that Phase 1 of the Investing in Canada plan, together with some other measures from that budget, would increase the level of real gross domestic product (GDP) by 0.5% in fiscal year 2016–2017 and by 1% in fiscal year 2017–2018. These same measures were also expected to create or save 43,000 jobs during the first year and 100,000 jobs in the second. As for the specific impact of the infrastructure investments on real GDP, it was estimated at 0.2% in 2016–2017 and 0.4% in 2017–2018.[1] Therefore, infrastructure investments were projected to account for 0.2% out of a total of 0.5% in real GDP growth in 2016–2017 and 0.4% out of a total of 1% in real GDP growth in 2017–2018. However, the PBO estimates provided by Mr. Jacques paint a somewhat different picture of the situation. The PBO estimated that Phase 1 of the infrastructure spending "raised the level of real GDP by 0.1% in 2016-17 and 2017-18" and created between 9,000 and 11,000 jobs in 2017–2018.

Impact of Infrastructure Spending Delays

The Committee heard varying opinions on the impact of the infrastructure spending delays. Mr. Jacques pointed out that not using the funding was not a problem in itself. He also noted that it is not unusual for the "lapse rates" for infrastructure investments to

1 Department of Finance, Budget 2016 – Growing the Middle Class, Ottawa, 22 March 2016, p. 49.

be higher at the start of the investment cycle. However, he explained that delays have an impact on the financial forecasts:

> The timing around spending will affect the level of deficits over a set period of time, as well as the stimulus effects, and, last but not least, the actual overall impact.

Brock Carlton of the Federation of Canadian Municipalities said that he is not very worried about the delays in infrastructure spending. He offered the following explanation:

> The main point is that as soon as decisions are made, work happens, jobs get created, economic activity happens, projects get built. We're not overly concerned about the delay in federal dollars getting out the door because we know that there are projects where things are happening.

That said, John Gamble of the Association of Consulting Engineering Companies-Canada said he fears that the current delays will lead to accelerated spending in future years when old programs and new programs under the Investing in Canada plan will be in full effect. He explained his concerns in the following terms:

> We are all trying to maintain our current workforce through this early period of relatively modest investment. Then, suddenly we'll all be charging up a hill with no idea of what's on the other side. Labour and materials will become more expensive because of intense competition. Approval and regulatory processes will become overwhelmed. Municipalities could have challenges with cash flow or meeting their contributions. Delays and overruns will become almost inevitable.

During his appearance, Minister Sohi reiterated that “infrastructure funding does not lapse”; instead it is reprofiled to future years “to ensure that it remains available for the projects and the programs to which it's allocated.”

INFRASTRUCTURE NEEDS IN CANADA

There can be little doubt as to the important role infrastructure plays in our daily lives. It is, as the Mayor of Halifax, Mike Savage, noted, “the foundation on which communities are built.” As Mr. Gamble explained, infrastructure “connects and enhances communities … enables commerce, and … protects the environment.” It is, in other words, “an investment in our quality of life.”

However, while applauding the commitments made by successive governments, a number of witnesses nonetheless expressed concern about Canada’s infrastructure gap. In terms of exact numbers, Pat Vanini of the Association of Municipalities of Ontario informed members that “the annual service and infrastructure investment gap for all of

Ontario's 444 municipal governments is about $4.9 billion annually." Moreover, she told the Committee that infrastructure quality was the "number one issue" for municipal residents and taxpayers. She explained that Ontario faced a "huge backlog" in infrastructure projects and stated that municipalities would need a lot of time and money simply to address health, water, and safety needs.

According to Yvon Soucy of the *Fédération québecoise des municipalités*, Quebec faces similar difficulties. He indicated that "[i]n Quebec alone, the municipalities will need $9 billion over the next 10 years to meet wastewater needs. As for green infrastructure, needs … [are expected] … to total $1.8 billion."

For his part, Mr. Savage noted that "upgrades to wastewater are some of the most pressing and expensive needs" facing our municipality at the present time. According to Mr. Savage, the municipality of Halifax has "some of the oldest pipes in Canada," many of which require upgrading. He informed the Committee that Halifax has a "$2.6 billion integrated resource plan on water alone" that it needs to fulfill.

Mr. Carlton signalled that investment was particularly important as Canada needs to "catch up" with other countries, having "underinvested in infrastructure for many years." He noted that infrastructure spending levels were significantly higher in the 1950s and 1960s and only began to recover in recent years.

The infrastructure gap does not concern only community well-being, but also affects Canada's long-term economic prosperity. In discussing the Toronto-Waterloo corridor, Jan De Silva of the Toronto Region Board of Trade explained that Ontario's highway infrastructure was "riddled with bottlenecks" because "we now have too many goods and too many people trying to use the same channels." This has serious consequences for trade:

> It is a critical issue that impacts trade: it impacts our ability to get to market. You have organizations such as GM that are manufacturing in Oshawa, on the east side of the city, that are having very strong difficulty getting just-in-time parts to their plant from the U.S. border. It is an issue that has an impact on the economy, our manufacturing capability, and our ability to be fully integrated into the supply chain with the U.S.

Nevertheless, Randall Bartlett of the Institute of Fiscal Studies and Democracy at the University of Ottawa suggested that certainty as to the size of the infrastructure gap was perhaps misplaced. He informed the Committee that the McKinsey Institute had found that "Canada did not have an aggregate infrastructure gap, based on historic and planned infrastructure spending and projected future infrastructure need." He noted that the Institute reached this conclusion based on an analysis of the remaining useful life of infrastructure combined with "a future needs assessment based on projections of demographics, economic activity, environment and climate change, and technological innovation." He expressed concern that Canada did not apply these best practices whereas "other jurisdictions are moving forward … to better understand their infrastructure and future needs."

WHAT CAUSES DELAYS IN INFRASTRUCTURE SPENDING?

A key objective of the Committee's study was to understand what causes delays in infrastructure spending. In the course of its hearings, the Committee heard extensive testimony about the various factors that appear to contribute to delays in infrastructure spending, each of which is explored below.

Challenges Faced by Federal Government

While providing many insightful recommendations as to improvements the Government of Canada could make in implementing its infrastructure plan, witnesses noted that certain factors were not easy to address. In particular, witnesses made reference to the provincial role in infrastructure spending, the time lag between work being undertaken and invoices submitted; and, the need for due diligence.

The Role of the Provinces

A number of witnesses drew the Committee's attention to the central role played by provinces and municipalities in infrastructure spending. For example, Mr. Jacques noted that provincial governments and municipalities are responsible for close to 90% of public capital and infrastructure investment across the country. This, he explained, means that once Parliament has approved spending, the federal government does not proceed directly to program implementation, but must instead negotiate with subnational governments, which can result in delays.

Witnesses pointed out that negotiations with the provinces are complex and that their success depends on a number of variables. Mr. Bartlett summarized the problem in the following terms:

> [O]nce the federal government puts cash in the window for infrastructure projects, provinces and municipalities must similarly match the federal contribution. This requires that lower levels of government have fiscal room and also have prioritized infrastructure as the desired use for said fiscal room in a manner that will qualify to receive federal funds.

Mr. Gamble noted that the slower than anticipated pace at which investments have been made could be explained, in part, by bilateral negotiations with the provinces having taken "longer than the government had initially anticipated." In contrast, Mr. Carlton expressed optimism about Phase 2 of the infrastructure plan, noting that the bilateral agreements with provinces and territories had been "negotiated in fairly short order."

Timing of Invoicing

As was explained by Mr. Gamble, the current funding regime for the federal government's infrastructure program is "based on receipts received when projects are constructed." In other words, the nature of the funding model means that federal funding is not reported as spent until after the work is completed. Nevertheless, witnesses, including Wendy Reuter of the Canadian Urban Transit Association noted that, even if funding has not yet been reported to Ottawa, "the economic impact is already happening on the ground" and that "municipalities and transit systems are already investing; they're contracting; they're building; and we wait as the paperwork, essentially comes into Ottawa and is funded."

Due Diligence

Although witnesses brought forward suggestions as to how delays in infrastructure spending could be lessened, they were also careful to stress the importance of due diligence. Due diligence is required throughout the entire infrastructure investment process, beginning when Parliament first approves spending. Indeed, Mr. Bartlett noted that the first delay occurs in the time that lapses between the budget being tabled and the budget implementation act being passed by Parliament.

Due diligence must also be exercised when the federal government negotiates bilateral agreements with provinces and territories, and witnesses acknowledged that careful negotiation and planning require time. Mr. Carlton described the agreements and issues as "complex" and stressed that it is important to "take the time to make sure those agreements are right."

Finally, witnesses pointed to the importance of careful project selection, with Ms. Reuter noting that "it takes time to properly plan, procure, construct, and operationalize these transit projects." It is, she remarked, "the nature of the industry."

Challenges Faced by Municipalities

Several municipalities and municipal associations participated in the Committee's study, sharing their knowledge of the various factors that contribute to delays in infrastructure spending. While certain difficulties were common to all municipalities, others were particularly acute in small, rural and remote communities.

However, although certain municipalities face particular capacity and funding difficulties that affect their ability to plan and deliver infrastructure projects, Andrew Stevenson of the Canadian Public Works Association reminded the Committee that residents' expectations of service delivery are "virtually the same in every community."

Capacity

Several witnesses raised municipal capacity as a topic of concern. While some witnesses focussed on administrative capacity, others spoke in terms of organizational, financial or human resources capacity. No bright line separates these different categories, and together they represent a significant challenge for many municipalities.

In the course of their testimony, witnesses discussed both staff shortages and levels of staff expertise. In explaining the different challenges faced by different municipalities in Ontario, Ms. Vanini highlighted the variation in the number of full-time administrative staff across the province:

> Looking at full-time administrative staff … 43% of those 444 municipal governments have fewer than six full-time administrative staff. Then we move to 36% that have, on average, about 14 full-time administrative staff. That human capacity is a real matter for municipal governments when it comes to the statutory obligations, whether they're in transfer payment agreements or other legislation.

Staff shortages were not limited to the administrative sector. The Mayor of Dieppe, Yvon Lapierre, pointed out that the "lack of internal employees in the engineering sector in some villages and small municipalities can create a lot of pressure." In particular, he noted that "the documents that need to be filled out often become a huge task for the smaller municipalities that do not have the organizational capacities to do so."

Moreover, Mr. Lapierre argued that municipalities that lack experience with this type of paperwork are doubly penalized: not only is the process more burdensome and time-consuming for them, but their lack of expertise can result in costly mistakes:

> [T]hey sometimes forget to identify ineligible fees at the beginning of the project, which can clearly create a financial burden for these communities when they proceed with the projects.

Witnesses also discussed challenges arising from a lack of financial capacity. Mr. Carlton expressed the view that the traditional one-third cost-share was onerous for small communities, while Mr. Lapierre noted that it could act as a barrier for small communities, discouraging them from submitting projects. On a positive note, Mr. Lapierre did note however that “the funding is quickly reimbursed after the work begins.”

During Phase 1 of the infrastructure plan, municipalities’ lack of financial capacity was further exacerbated by the time-frame in which money had to be spent. Mr. Soucy observed that “making such large investments over such a short period of time poses major challenges for municipalities of less than 5,000 inhabitants.” That said, several witnesses, including Mr. Soucy and Ms. Reuter noted that the deadline extension had mitigated some of this pressure. As was recognized by Mr. Soucy, postponing the project deadline contributed to a situation where “large sums were not being spent during the first phase.”

In spite of these concerns, several witnesses displayed cautious optimism. Reflecting upon the recent changes to the Investing in Canada plan, Mr. Carlton said the following:

> [T]he moves the federal government has made to reduce administrative burden on small communities through the application process and the enhanced cost-share up to as much as 60%—in those cases of municipalities with fewer than 5,000 residents—are very important moves to reduce some of the barriers and enable more access for smaller communities to the funds that are available from the federal government.

Nevertheless, witnesses also recognized that more can be done. Mr. Bartlett argued that the federal government can play a role in “helping to build capacity to make sure that the planning framework is done well and that those investments will benefit those municipalities as much as they possibly can.”

Process Requirements

Regardless of capacity, several witnesses made reference to the slow pace at which project proponents were able to complete administrative formalities. Mr. Soucy explained that more than 130 municipalities in Quebec had projects approved under the Canada-Quebec agreement concluded in July 2016. These projects were expected to be finished by 31 March 2018, at the latest; however, “the slowness of certain administrative processes” meant that several municipalities “were not able to begin their bid process before the summer of 2017.”

Ms. Vanini expressed a similar view. While acknowledging that Phase 1 had resulted in “some really interesting and very helpful synergies,” Ms. Vanini noted that there was a “real challenge” regarding timelines:

> The process just to get the agreement in Ontario took almost five months to achieve. Municipal governments, once that was signed, submitted projects in about six weeks … the review and due diligence for just the Ontario proposals, I'm told, took about four months. Then there was some other added time just to get the funding agreements in place. At the end of the day, municipal governments that submitted projects in October of 2016 were left watching that distance to the March 2018 program deadline grow a little shorter and shorter, and then somewhere in there, apparently, there was a winter season.

Ms. Vanini explained that these delays, and the ensuing uncertainty, made it “difficult for some municipalities to proceed” with their projects and that it created a “reporting lag.”

Some witnesses attributed the slow pace at which projects made their way through the process to certain program requirements. For example, Mr. Soucy made the following observation:

> In addition, the modalities of the program mean that work done internally and work done by regional county municipality engineering services is not eligible. Consequently, the municipalities are obliged to call on external engineers, which is a costly situation for many remote areas and also leads to additional delays.

In a similar vein, Mr. Stevenson noted that some municipalities had “communicated difficulties obtaining project approvals under the funding program guidelines, engaging qualified consultants and contractors, and/or obtaining competitive bids from consultants and contractors.”

Finally, Mr. Gamble highlighted that the “cumulative regulatory burden” can significantly delay or increase the cost of projects:

> Each year, all levels of government introduced new laws and regulation impacting everything from labour to licensing, from building permits to accessibility requirements. Each of these may individually be very sound policy, but there’s rarely consideration of the cumulative impact.

Differing Provincial and Municipal Priorities

Witnesses, including Mr. Carlton, raised the importance of supporting a fair balance of municipal and provincial projects. Witnesses, however, also noted that municipal and provincial priorities do not always align. For example, Mr. Stevenson noted that “a number of smaller municipalities said their municipality's projects had not been prioritized by the province or other funding streams because they fell outside the Investing in Canada plan's five key focus areas.”

A similar point was raised by Mr. Soucy with regard to the Green Infrastructure Plan. He expressed concern about the proposal to allocate 45% of the program's overall $1.8 billion funding envelope to mitigating the effects of climate change, when the municipalities' priority was clean water and waste water treatment projects.

For its part, The Federation of Canadian Municipalities (FCM) reported that it had been "deeply engaged in shaping [P]hase [2] [of the Investing in Canada plan]" and said that it was encouraged to see "a deep recognition of local governments' role in nation-building" in the integrated bilateral agreements. Noting that "local solutions can solve many of our biggest national challenges," the FCM explained that "local projects aren't just "nice to haves"; they're "must haves" for Canada."

Project-Based Funding

While municipal witnesses universally welcomed the receipt of federal funding, many expressed concerns about the inherent lack of predictability in a project-based model. As Mr. Carlton explained, the federal government uses an allocation-based approach for the public transit fund and an application-based approach for "the other parts of the infrastructure plan". Almost without exception, municipal witnesses expressed a preference for an allocation-based approach.

There was a great deal of commonality in the reasons witnesses gave in explaining their preference. In contrast to project-based funding, which he described as a "lottery," Mr. Carlton emphasized the predictability of allocation-based funding, noting that it allowed provinces to "see the money coming" and act accordingly. This means that they can choose to "bank it … borrow against it … [and] … do bigger projects."

In a similar vein, the Mayor of Edmonton and Chair of the Big City Mayors, Don Iveson, stressed that the allocation-based mechanism used for transit "provides us with the most certainty to plan and … [allows us to] … make assumptions and proceed with expenditures with certainty of recovery." Mr. Iveson advocated introducing an allocation-based mechanism "across the board."

For their part, other witnesses identified priority areas for the introduction of allocation-based mechanism. Professor Bev Dahlby of the University of Calgary expressed particular concern about the use of programme-based funding in small communities:

> To deal with the small community issue, I think there should be other mechanisms, as opposed to the very granular spending on particular projects. In particular, I think the gas tax fund is the appropriate mechanism for providing funding for infrastructure for smaller communities.

In turn, Ms. De Silva argued that “federal funding for urban priorities like infrastructure should fund the plan with direct grants rather than funding projects or programs over time.” She pointed out that this “would give cities and city-regions more flexibility to substitute federal, agency, pension investments, or other revenues for the municipal share of costs.”

Finally, Mr. Lapierre suggested that a programme similar to the Gas Tax Fund would be particularly useful to “finance improvements to existing infrastructure.”

Other Factors

Time constraints meant that witnesses did not address all challenges that municipalities face in detail. Other difficulties included:

- Public service staff turnover: Mr. Lapierre expressed frustration with what he perceived to be high levels of staff turnover among employees responsible for delivering Infrastructure Canada services. He noted that constantly having to explain a file to new staff members wasted time and led to frustration and delays.

- Congestion: Mr. Soucy pointed out that congestion was caused by many projects working to the same deadline.

- Cash flow: Ms. Vanini explained that there was “a real cash flow challenge” for municipal governments as they are unable to run deficits.

UPDATE ON CURRENT SPENDING

The Committee’s second objective was to obtain an update on current infrastructure spending. Some witness spoke about the Invest in Canada plan in general terms, while others focussed on specific projects in their regions. In the course of their testimony, witnesses also made suggestions regarding future federal infrastructure investments.

Current projects

Overview

During his appearance before the Committee, Minister Sohi provided an update on Phase 1 of the Investing in Canada plan. He reported that 28,000 projects have been approved to date, accounting for more than $11 billion of the total of $14.4 billion in infrastructure investments set out in Budget 2016. He also explained that the

34 programs announced in Budget 2016 have all been launched and that Infrastructure Canada has signed bilateral agreements for Phase 2 of the new infrastructure plan with seven provinces and territories.

In a written submission provided to the Committee, Professor Dahlby observed that “public transit projects receive the largest share of federal contributions.” He noted that the share public transit projects receive now stands at 38.3% of federal contributions, compared to 24.2% between 2002 and 2015. Professor Dahlby also explained that “there is a notable decline in the share of federal funding for Rural and Small Communities projects compared to the 2002-2015 contributions.”

Specific Projects

Minister Sohi provided the Committee with an update on several specific projects, including the Aboriginal Head Start in Urban and Northern Communities and the creation of New Brunswick’s first electric vehicle charging network.

Other witnesses, including Fraser Smith of the City of Surrey and Geoff Cross of TransLink spoke in detail about particular programs in their region. Mr. Smith, who is responsible for coordinating work on the City of Surrey’s light rail project, described the Investing in Canada plan as a “framework” for collaboration between Canada’s three levels of government. He informed the Committee that “early funding of projects in Surrey has already flowed and has been very beneficial.” In particular, he emphasised work on the city’s light rail project, which received funding through Phase 1. He specified that the “construction of the early works is well under way and all the projects are scheduled to be completed by the end of 2018.”

Mr. Cross discussed the important role of federal programs in allowing big cities to meet their “very significant infrastructure requirements.” He provided the following update:

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

For her part, Ms. Reuter underscored the diversity in the more than 1,100 transit projects that had received funding through the public transit infrastructure fund:

> Federal investments have ranged from rehabilitating Montreal's iconic subway system, to upgrading the ferry service in Halifax, to helping develop a bus rapid transit system in Saskatoon. They've helped plan new rail projects in Ottawa, Calgary, Toronto, and

> Edmonton, just to name a few. The funding has also delivered significant benefit for transit in smaller communities. The fund invested in everything from bike racks in Airdrie, to new accessible buses in Whitehorse, to transit shelters in Trois-Rivières.

While witnesses highlighted a number of difficulties they had encountered, the overall picture was generally positive. For example, speaking on behalf of the Canadian Public Works Association, Mr. Stevenson summarized his members' experience in the following terms:

> Most members we have talked to have said they have received funding for the rehabilitation, repair, and modernization of existing infrastructure under budget 2016, primarily through the clean water and waste water fund, and we have heard that the process did not present any challenges.

Expressing optimism about Phase 2 of the infrastructure plan, Mr. Iveson also stressed that lessons had been learned from Phase 1:

> By working with Canada's big cities methodically and systematically, the federal government has now adopted a 40% share of cost-sharing for new construction and up to 50% for rehabilitation and require provinces to contribute a minimum of 33%. This represents a fair and balanced share of cost allocation leaving a smaller and more manageable chunk for municipalities to assume.
>
> By enshrining these principles in bilateral agreements, local governments have the certainty and predictability necessary to make long-term decisions about critical infrastructure and by including allocation-based mechanisms as we've seen around the transit funding, we've improved predictability and planning as my colleagues have spoken to.

In addition, as aforementioned, Mr. Carlton noted that the federal government provides an enhanced cost-share up to as much as 60% for municipalities with fewer than 5,000 residents.

Future Spending

In providing their updates as to infrastructure spending, witnesses identified a number of areas where improvements could be made to benefit future investments.

Data Quality

In the course of its hearings, the Committee heard concern about a lack of infrastructure data. For example, Mr. Stevenson noted that some very small communities do not even have "current estimates of their infrastructure funding needs."

According to Mr. Bartlett, Canada compares unfavourably to other jurisdictions that are "moving forward … to better understand their infrastructure and future needs." He suggested that the United Kingdom is leading the way in terms of developing "future needs analysis for infrastructure."

Mr. Bartlett also provided the Committee with an overview of work been done in Australia and New Zealand:

> In New Zealand, for example, the cities of Wellington and Auckland have developed advanced data architectures that allow you to look at the remaining useful life of pipes under city streets through the use of an app on your smartphone … In New South Wales, Australia, the public sector is applying analytics to squeeze as much value as possible out of existing brownfield assets[2] while considering new greenfield investments only as a very last resort.

He argued that, "if the federal government wants to support infrastructure investments by other levels of government while maximizing value for taxpayers, it should look to put the right data infrastructure in place to build capacity" before making money for traditional infrastructure available.

Mr. Bartlett expressed the view that "no legislative barriers" exist that prevent the federal government from working with provinces and municipalities to be "a catalyst for the development of better data architecture for infrastructure." In his view, the federal government is "best placed" to facilitate a standard system by which all infrastructure is inventoried in Canada.

In a similar vein, Ms. De Silva recommended that the federal government "designate a central agency to inventory existing and required urban infrastructure."

In their appearance before the committee, officials from Infrastructure Canada informed members that they were working with their partners, including Statistics Canada, to strengthen the infrastructure data set and allow for improved decision-making.

National Development

Several witnesses noted that the benefits of infrastructure investment often extend beyond the boundaries of the municipality in question. For example, Mr. Carlton spoke

2 A brownfield asset is "a developed asset, albeit one that may still require ongoing capital expenditure and expansion." In contrast, a greenfield asset "refers to an asset that has some level of development or construction requirement and risk" (S. Haddy et al., Infrastructure trends: where are the brownfield opportunities?)

of the importance of regional clusters, particularly with regard to NAFTA and binational cooperation with the United States:

> On the question of NAFTA, there's certainly a need for the municipalities that work very closely in regional clusters to be able to have a vision that is a bit broader than their individual boundaries, and to be able to apply to or use gas tax money in ways that pool resources to create clustered approaches to infrastructure so that the regional issues are addressed … [T]he infrastructure bank should … [allow] … for the clustering of mutual interests around infrastructure funding, so that the big projects that are multi-billion dollar and multi-jurisdictional in nature can be supported. That's part of growing of an integrated local economy, which then strengthens, I think, our ability to work in an international context.

At a national level, Professor Dahlby noted that a study conducted at the School of Public Policy & Governance “showed a huge return from investment in transportation infrastructure in Canada's north.” He argued that focusing some of the $186 billion infrastructure envelope “on some of these large nation-building projects” would deliver “a very beneficial outcome.”

That said, he also acknowledged that the local nature of politics means that elected representatives “naturally favour those projects that are very local.” To mitigate this, he suggested that “there is a case for matching grants from the federal government in order to shift maybe some of the municipal and provincial government spending in directions that provide national benefits.”

Urban Strategy

Although many witnesses focussed on the challenges faced by small, rural and remote municipalities, others were primarily concerned with the particular needs of large cities. On this point, Ms. De Silva called for the development of a national urban strategy. She stressed that such a strategy was not intended to “exclude or forget rural infrastructure, but to adopt the funding model to meet the needs of unique urban circumstances across the country.” She further argued that “city and city-region leaders should lead the development of long-range priority plans for urban infrastructure.”

Timing of Funding

The timing at which federal funding is made available to municipalities was a recurring theme in the hearings. Alana Lavoie of the Federation of Canadian Municipalities noted that it is important to recognize municipalities for “putting their own money out first” to make sure projects happen. As was discussed earlier, this can represent a challenge for municipalities. Some witnesses, including Ms. Reuter, therefore recommended that funding be made available earlier in the process:

> One thing we could be considering is, when we understand what the total project estimate will be, and the government has understood what their contribution to that would be, we could consider the opportunity for the federal contribution to flow at a higher level in the early stages, to invest in those projects and then continue to cap off at whatever the total contribution would be, the 40% or the 50%.

In a similar vein, Ms. De Silva noted that "one of the biggest challenges we are seeing is the time it takes for projects to get far enough along the queue to access … funding." In an effort to remedy this, she suggested that city regions should be able to "access the funding at different stages rather than waiting until the later stages" in order to get more projects under way.

Greenhouse Gas Emissions

Mr. Boston of Renewable Cities cautioned that investment decisions should reflect emission reduction targets. In May 2015, Canada committed to reducing its emissions by 30% from 2005 levels by 2030; however, Mr. Boston argued that the federal government's current investment strategy will not reduce greenhouse gases. In particular, he expressed concern about transport development in farm land:

> We're losing 3% of our agricultural land every 10 years in Canada, and that is a result of our auto-oriented approach. We are becoming more auto-oriented, and this infrastructure agenda under the Investing in Canada Plan won't solve this.

Mr. Boston further explained that reducing commuting distances was a key factor in cutting GHGs. In a discussion of strategies that could be employed to reduce commuting distances, Mr. Boston focused on housing and strategic infrastructure investment. He expressed concern that the "biggest transit spends in the country" are being made in green field areas, when housing intensification would be a more appropriate approach. To this end, Mr. Boston argued that the federal government should help municipal governments to ensure that housing stock matches "our demographic reality." While noting that the federal government cannot "dictate land use planning to local governments," he suggested that "resident and job density benchmarks" be incorporated into the requirements for investment projects.

Improving Program Transition

To improve the transition from the existing infrastructure programs to the new ones, Mr. Gamble recommended re-profiling funding from the old programs so that investments can be made more quickly and delays in the federal government's Phase 2 investments can be mitigated. He also recommended that the federal government start planning and negotiating the next generation of federal infrastructure investments in order to avoid gaps between programs. In his view, these gaps could lead industry to suffer “layoffs and lost capacity and expertise, only to have to rebuild years later when a new program is announced.”

Fewer Small Projects

Professor Dahlby noted that “delays are inevitable when plans for projects and funding arrangements have to be made with more than one government.” He further observed that this problem might be exacerbated by the large number of small projects underway, each of which requires negotiation. In his view, the federal government should concentrate its efforts on a smaller number of large projects.

Process Requirements

In a discussion of funding for Phase 2 of the Investing in Canada plan, Mr. Soucy told the Committee that the *Fédération Québecoise des Municipalités* had passed a resolution asking that the “new infrastructure programs broaden the scope of eligible expenses so as to meet the needs of municipalities, and not increase the accountability they require from them.”

New Metrics

As part of her vision for a national urban strategy, Ms. De Silva recommended a new role for the federal government. She recommended that the federal government “shift its role from due diligence in projects to instead measuring infrastructure outcomes, consistent with the approach used by national infrastructure agencies in several leading OECD countries.”

Is Infrastructure Spending an Effective Tool for Economic Stimulus?

In the course of their reflections on current projects, some witnesses debated the role of infrastructure spending as a tool for delivering economic stimulus.

As Mr. Jacques reported, the PBO estimated that Phase 1 spending “raised the level of real GDP by 0.1% in 2016-17 and 2017-18.” Chris Matier of the Office of the PBO pointed out that the economy was operating below capacity when Budget 2016 was released and interest rates were low at the time. He said that the economic stimulus would have been greater if the government had spent its infrastructure budgets in 2016–2017 and 2017–2018.

Mr. Bartlett told the Committee members that the Canadian economy is currently doing well and that few labour market resources are unused. As a result, he argued that “there doesn't appear to be an overwhelming need for short-term fiscal stimulus at this time." Likewise, Mr. Dahlby noted the following:

> In particular, an increase in infrastructure spending that does not occur when there is deficient aggregate demand in the economy but occurs when the economy is on the upswing would not only be ineffective, but might divert resources—land, labour, and capital.

Furthermore, Mr. Dahlby stated that federal infrastructure spending is generally not a very effective way to stimulate the economy in the short run, even in an economic downturn, because of the amount of time required to coordinate project funding with subnational governments. That said, Mr. Bartlett asserted that, when the government decides to invest in infrastructure, a dollar invested when the country is facing a large negative economic shock has a much larger impact on the economy than a dollar invested when the economy is performing well.

THE GOVERNMENT'S PLAN FOR FUTURE INFRASTRUCTURE SPENDING

The Committee's third and final objective was to obtain an update on the government's plan to spend $186.7 billion on infrastructure. In the context of these discussions, witnesses discussed the role of both public private partnerships and the Canada Infrastructure Bank.

Public-Private Partnerships

A public-private partnership (P3) is a long-term contractual relationship between a public authority and the private sector. It includes the following features:

- the provision of goods or services to meet a defined output specification;
- the integration of multiple project phases;
- the transfer of a certain level of risk to the private sector; and
- a performance-based payment mechanism.[3]

A number of witnesses discussed the costs associated with the P3 model. According to Mr. Bartlett, the cost of financing is higher for P3 infrastructure projects, but P3 projects

3 Public Works and Government Services Canada. Public-Private Partnership (P3) procurements, 26 January 2016.

are also more likely to be on time and on budget. Mark Romoff of the Canadian Council for Public-Private Partnerships stated that:

> [W]ith traditional procurement, many projects come in well over budget and way behind schedule. The nature of the contractual arrangement with P3s precludes that, because the private sector has a responsibility for those cost overruns, and is held accountable for them, and not government, they are therefore very focused on ensuring that projects do come in on budget, and on time.

Moreover, Mr. Dahlby was of the opinion that a P3 model “may create a greater incentive for quality and maintenance of infrastructure than has been the case for much government-funded and supervised construction.”

In addition, Mr. Dahlby said he was not sure that P3 financing costs are necessarily higher, because he believes the cost of public finance is underestimated. He made the following argument:

> [The cost of public finance] doesn't take into account the cost of the tax dollars that have to be raised to finance the government's deficit, or pay for them. Those costs are substantial because higher taxes lead to a slower economic growth, less innovation, etc. When you take those costs into account, it is less clear-cut that [P3]s are more costly.

Role of the Canada Infrastructure Bank

According to the federal government, the Canada Infrastructure Bank (CIB) “is a new tool” to help the provinces, the territories and municipalities finance infrastructure projects.”

According to Ms. Fukakusa of the CIB, the bank’s purpose is to “bring together government proponents of new infrastructure projects with private and institutional investors to get more greenfield projects built for Canadians.” The CIB’s mandate is threefold. First, it is an investor, empowered to spend up to $35 billion over 11 years on new projects. Second, it plays an advisory role, providing advice to government partners on the suitability of projects, including their financial structure. Finally, it helps collect infrastructure data.

Ms. Fukakusa clarified that the funding the CIB provides “will complement the existing funding models” and “does not replace traditional government funding for infrastructure, nor does it replace P3s.” As a co-investor, the CIB” can inject capital or support at the right times to make the overall project viable for private sector investment.” Ms. Fukakusa pointed out that payments to private-sector partners will be derived from revenue linked to infrastructure use, such as bridge tolls.

As regards the involvement of private capital, Ms. Fukakusa emphasized that the CIB's objective is as follows:

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

Similarly, Glenn Campbell of the Office of Infrastructure of Canada provided the following clarification:

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

As for the difference between the way the CIB and P3s work, Ms. Fukakusa explained that the CIB enables investors to earn a return from the use of the asset. She maintained that the CIB is "a different tool than the triple-P tool because it accommodates the revenue-generating nature and ensures that investors are getting returns from the revenue-generating nature of the project."

Mr. Bartlett stated that it is not clear that the CIB will be successful or that its financing model will "necessarily maximiz[e] taxpayer value." In this regard, he emphasized that Canadian pension funds have little experience investing in new infrastructure and that the rate of return demanded for these projects is much higher than for existing infrastructure that is already generating revenue. Regarding the expectation of earning a return from infrastructure user fees, Mr. Bartlett explained that this approach is more efficient from an economic standpoint, but it is an open question whether Canadians will continue to use this infrastructure and whether it will truly benefit society as a whole.

RECOMMENDATIONS

The Committee notes that while steps have been taken to mitigate the challenges faced by municipalities, more remains to be done to ensure that community needs are met and tax dollars are spent prudently. In particular, the Committee considers that the following areas merit further attention.

Funding

The Committee appreciates the importance of stability and predictability in infrastructure investment. It notes witnesses' concerns regarding both the timing of federal investments and the means by which funding is delivered (allocation-based versus project-based).

Accordingly, the Committee recommends:

Recommendation 1

That the federal government optimize funding delivery, taking into consideration both the time that infrastructure funding is made available to municipalities and the means by which it is made available.

Data

The Committee shares witnesses' concerns that Canada is not keeping pace with other jurisdictions with regard to future needs analysis for infrastructure. It recognizes the need to ensure that investment decisions are based on robust data and knowledge. Accordingly, the Committee recommends:

Recommendation 2

That the federal government identify best practices in other jurisdictions with regard to data architecture technologies and future needs analysis.

Recommendation 3

That the federal government implement a better system for tracking projects. Where appropriate, this work should also be conducted in collaboration with other federal agencies, boards, corporations and departments, as well as with provincial, territorial and municipal partners.

Pan-Canadian Development

The Committee recognizes that well-targeted infrastructure investment spending can benefit the collective national interest, as well as individual communities. Accordingly, the Committee recommends:

Recommendation 4

That the federal government identify areas where infrastructure investment would deliver significant economic benefit for the country as a whole. Potential avenues include regional clusters, city-regions and the North.

Resilient and Agile Infrastructure Investment

Infrastructure investments must serve not only today's communities, but also those of tomorrow. To this end, the Committee recognizes the importance of adopting a broad, long-term view when undertaking future needs analysis. Accordingly, the Committee recommends:

Recommendation 5

That the federal government measure its infrastructure investments with respect to anticipated economic, environmental, and social outcomes.

APPENDIX A
LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
As an individual	2018/04/16	98
Bev Dahlby, Professor University of Calgary		
Institute of Fiscal Studies and Democracy, University of Ottawa		
Randall Bartlett, Chief Economist		
Office of the Parliamentary Budget Officer		
Negash Haile, Research Assistant		
Jason Jacques, Senior Director Costing and Budgetary Analysis		
Chris Matier, Senior Director Economic and Fiscal Analysis		
Association of Municipalities of Ontario	2018/04/18	99
Pat Vanini, Executive Director		
Canadian Public Works Association		
Andrew Stevenson, President		
Canadian Urban Transit Association		
Jeff Mackey, Coordinator Public Policy		
Wendy Reuter, Acting President and Chief Executive Officer		
Federation of Canadian Municipalities		
Brock Carlton, Chief Executive Officer		
Alana Lavoie, Manager Policy and Research		
Fédération québécoise des municipalités		
Patrick Émond, Director Research and Policies		
Yvon Soucy, Vice-President		

Organizations and Individuals	Date	Meeting
Toronto Region Board of Trade	2018/04/18	99
Jan De Silva, President and Chief Executive Officer		
Association of Consulting Engineering Companies – Canada	2018/04/23	100
John Gamble, President and Chief Executive Officer		
Canada Infrastructure Bank		
Janice Fukakusa, Chair		
City of Edmonton		
Don Iveson, Mayor and Chair Big City Mayors' Caucus		
City of Surrey		
Vincent Lalonde, City Manager		
Fraser Smith, General Manager Engineering		
Office of Infrastructure of Canada		
Glenn R. Campbell, Assistant Deputy Minister Investment Finance and Innovation		
TransLink		
Geoff Cross, Vice-President Transportation Planning and Policy, New Westminster		
Office of Infrastructure of Canada	2018/04/30	101
Darlene Boileau, Assistant Deputy Minister Corporate Services and Chief Financial Officer		
Glenn R. Campbell, Assistant Deputy Minister Investment, Partnerships and Innovation		
Marc Fortin, Assistant Deputy Minister Program Operations		
Sean Keenan, Director General Strategic and Horizontal Policy		
Yazmine Laroche, Associate Deputy Minister		
Hon. Amarjeet Sohi, Minister of Infrastructure and Communities		
Canadian Council for Public-Private Partnerships	2018/05/09	103
Mark Romoff, President and Chief Executive Officer		

Organizations and Individuals	Date	Meeting
City of Dieppe, New Brunswick	2018/05/09	103
Yvon Lapierre, Mayor		
Halifax Regional Municipality		
Mike Savage, Mayor		
Renewable Cities, SFU Morris J. Wosk Centre for Dialogue		
Alex Boston, Executive Director and Fellow		

APPENDIX B
LIST OF BRIEFS

Organizations and Individuals

Dahlby, Bev

Renewable Cities, SFU Morris J. Wosk Centre for Dialogue

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 98, 99, 100, 101, 103 and 105) is tabled.

Respectfully submitted,

Hon. Judy A. Sgro
Chair

Supplementary Opinion and Recommendations

The Liberal government promised deficits of no more than $10 billion a year in order to make investments in infrastructure.[1] The government has failed to uphold this promise. Not only is the government producing deficits much greater than $10 billion a year, it is not spending the money it committed to on infrastructure. The Parliamentary Budget Officer (PBO) reported in March that roughly one-quarter of the funding the government allocated for infrastructure from 2016-17 to 2018-19 will lapse.[2]

Furthermore, the Liberal government promised that no money intended for infrastructure would be allowed to lapse, and that any unspent infrastructure money would be transferred in to the Gas Tax Fund before each fiscal year end.[3] This promised has also not been fulfilled.

The government's failure has already had negative effects on the Canadian economy. In Budget 2016, the government projected that Phase 1 infrastructure investments would lead to incremental GDP growth of 0.2% in in 2016-17, and 0.4% in 2017-18.[4] Due to the government's failure to uphold its own infrastructure promises, GDP growth and corresponding job creation have not materialized. According to the PBO, Phase 1 only increased GDP by 0.1% in each of fiscal 2016-17 and 2017-18, and only increased the number of jobs by between 9,600 to 11,100 over the past year.[5]

The government's inability to deliver on its infrastructure promises has also had another negative effect. Commute times for Canadians are getting worse. Daily commute times continue to lengthen, despite people living closer to where they work. Last November, Statistics Canada reported it now takes GTA residents one hour and eight minutes to commute every day, up 3.7 per cent from 2011, despite the fact that the average distance between home and work decreased from 14.8 kilometres to 14.6 kilometres. Across Canada, it now takes Canadians 52 minutes each day to get to and from work, up 3.1 per cent from 2011. These longer commute times mean time and money wasted, lost productivity and increased GHG emissions.[6]

Clearly, the government must do a better job in delivering on its infrastructure commitments. To that end, the following recommendations are made:

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[1] Real Change – A New Plan for a Strong Middle Class, Liberal Party of Canada, 2015, p. 12
[2] Budget 2018: Issues for Parliamentarians, Parliamentary Budget Officer, Ottawa, March 15, 2018, p. 1
[3] Real Change – A New Plan for a Strong Middle Class, Liberal Party of Canada, 2015, p. 14
[4] Budget 2016 – Growing the Middle Class, Department of Finance, Ottawa, 22 March 2016, p. 49
[5] Status Report on Phase 1 of the New Infrastructure Plan, Parliamentary Budget Officer, Ottawa, March 29, 2018, p. 2
[6] The Daily, Journey to work: Key results from the 2016 Census, Statistics Canada, Ottawa, November 29, 2017

1. That the government either uphold its promise to transfer, before each fiscal year end, any unspent money into the gas tax fund, or explain why this promise is not going to be implemented.
2. That the government update the projections it made in Budget 2016 regarding the number of jobs and economic growth created because of federal infrastructure spending.
3. That the government ties its infrastructure spending to measureable outcomes, such as daily time spent commuting.

Supplementary Opinion of the New Democratic Party (NDP)

The report submitted to the Standing Committee on Transport, Infrastructure and Communities is the result of a four-session study of an update of infrastructure projects and the Investing in Canada Plan.

The NDP asked the Standing Committee on Transport, Infrastructure and Communities to convene this study urgently after the Parliamentary Budget Officer's Status Report on Phase 1 of the New Infrastructure Plan last March, reporting that nearly half of the money set aside for Phase I of the Investing in Canada Plan had still not been committed.

Thanks to the witnesses we heard and the submissions made by municipalities as well as by national, regional, and local organizations and by individuals, we can present a supplementary opinion in this report in order to guide the government when funding infrastructure.

The NDP believes that our country needs public investment so that our roads, airports and public transit meet the needs of Canadians. In this report, we put forward recommendations to better equip the government to ensure our public infrastructure is sustainable, to treat the internet as a public infrastructure, across the country, and to take the challenges and specificities of small municipalities into account.

Our next actions must contribute to the development and design of effective and efficient programs for municipalities and their deployment in communities of all sizes. Our public infrastructure is the cornerstone of our country. We must therefore ensure that the $186.7 billion that will be deployed over the next ten years benefits all municipalities.

Small municipalities: a particular reality that must be taken into account

We believe that small municipalities have different realities and needs than large municipalities, and we must factor in these specific realities and needs.

Small municipalities have told Committee members how shortages in staff and expertise affect their organizational capacity and sometimes lead to costly errors. Some small municipalities have told members about the complexity and red tape they must deal with when they wish to submit a project for their community. We cannot ignore that this red tape, combined with a lack of resources, is definitely a major challenge for small municipalities.

Small municipalities have made it clear that their lack of financial resources is a barrier that sometimes prevents them from submitting projects that are necessary for their municipalities. The Federation of Canadian Municipalities tells us that the traditional procedure is cumbersome for small communities. Some municipalities have told us that due to a lack of staff, some very small municipalities do not have up-to-date inventories of their infrastructure funding needs. We in the NDP believe that it is therefore imperative for the federal government to have the means and mechanisms to better support small municipalities so that they may estimate their infrastructure funding needs. Some witnesses recommended that the government designate a central agency to conduct the infrastructure inventory. Such a mechanism, like that in the United States or Germany, would effectively reduce the administrative burden on small municipalities and determine infrastructure needs countrywide.

The NDP believes that smaller municipalities need more flexibility and less red tape. The Gas Tax Fund, for example, is an appropriate, targeted and predictable mechanism for small municipalities. Many witnesses said that improvement to existing infrastructure can be properly funded through this mechanism.

We recommend:

1. That the government develop ways to counter the drop in federal funding set aside for projects in small communities, especially through:

- Funds earmarked for programs and bilateral agreements that take into account their financial resources and problems linked to shortages of staff and expertise
- Enhancing and increasing the Gas Tax Fund to fund improvements to their existing infrastructure
- Renewing programs to clean water and treat wastewater in our fight against climate change as recommended by the Fédération Québécoise des Municipalités.
- Greater flexibility in funding programs, terms and conditions of programs and the ranges of eligible expenses

Ensuring our public infrastructure is sustainable for future generations

We in the NDP believe that infrastructure funding must provide Canadians with viable and sustainable infrastructure that meets the challenge of climate change. We believe that we must equip municipalities to take the risks from extreme climate events and climate change into account when designing, operating and maintaining infrastructure. Engineering protocols already exist to enable municipalities to build more sustainable infrastructure. We believe the government must do more to measure the impact and potential effects of climate change investment in order to preserve our public infrastructure and support municipalities. Our public infrastructure must adapt to climate change. We must also make sure they adapt to tomorrow's realities and to the impacts of climate change. The NDP believes the government must study the possibility of developing a protocol, like the one used by Canadian engineers, to evaluate the risks and the vulnerabilities of our infrastructure to the impacts of climate change and recommend adaptation measures to the impacts of extreme weather events and future climactic conditions. The government must also provide small municipalities with the tools to access this protocol in their efforts to preserve our existing infrastructure.

We recommend:

To study the possibility of developing a protocol to evaluate the risks and vulnerabilities of infrastructures to the impacts of climate change, and to recommend measures to adapt to extreme weather events and future climactic conditions.

- Require that risk assessments be conducted on the vulnerability to climate change, as well as other related risks, as a condition to approve financing infrastructure projects. This principle should be enlarged to include the approval of environmental impacts assessments and the design of infrastructure projects meant to restore or reallocate existing structures, as well as to new infrastructure projects.

Our public infrastructure must remain in public hands.

The government recently announced that it will create an Infrastructure Bank in which a sum of 35 billion dollars of public funds will be invested. The NDP has expressed serious concerns about this bank. First, we in the NDP believe that public money invested should have an impact on all sectors of the economy and create good jobs. We also believe that the government, by funding infrastructure projects itself, would bring down costs for future generations due to interest rates that would be much lower than those of the Bank, and would reduce risks. In fact, such a bank was established in Australia in the last twenty years, with disastrous consequences. We also believe that such a model of infrastructure privatization will cost Canadians dearly, and will benefit the private sector more than it will Canadian taxpayers. This report must be the foundation for a master plan in building a just and inclusive country.

Broadband high speed internet: a public infrastructure for every community

The UN has declared that internet access is a fundamental right. At the NDP, we believe that investments in telecommunications infrastructure are critical and they be regarded as a public infrastructure. Access to broadband high speed internet must be available in all Canadian municipalities to ensure their long term development, productivity and sustainable economic growth. Democratizing the use of the internet and ensuring it is accessible to all Canadians would also help in the fight against poverty, by providing internet access to those who are less able to afford it so they can continue their education or find a job, etc. Because this is 2018, it is crucial this service be accessible to all Canadians across the country. The federal government needs to be a major player and invest heavily in this infrastructure, and ensure it is expanded and improved in every community in the country.

We recommend:

That the government declared that internet access is a fundamental right. That access to broadband high speed internet must be available in all Canadian municipalities to ensure their long term development, productivity and sustainable economic growth. That broadband high speed internet is considered a public infrastructure for every community.

Conclusion

Municipalities are responsible for 90 per cent of Canada's infrastructure. Many of these municipalities responsible for infrastructure in our country are in fact small municipalities. This is why it is time for the federal government to recognize the specificities of these small municipalities that have a major role in the assessment process of infrastructure needs. Funding from the federal government to small municipalities would, among other things allow them to best contribute their expertise of our country's needs in terms of infrastructure.

We hope the government will take the NDP's recommendations into account and provide all Canadians with access to sustainable, feasible and accessible infrastructure and recognize the impacts of climate change. We hope the government will understand the importance of providing internet access to all Canadian municipalities.

In this report, we put forward recommendations to better equip the government to ensure our public infrastructure is sustainable, to treat the internet as a public infrastructure, across the country, and to take the challenges and specificities of small municipalities into account.

The NDP hopes that this supplementary report will allow the government to put small municipalities at the heart of the decision-making process when making future investments in our infrastructure. The strategy of the Investing in Canada Plan must take into account the reality and challenges that small municipalities are facing.

RECOMMANDATIONS

While we agree with the contents of the report, the NDP believes that further recommendations are necessary.

The NDP believes that the Committee's recommendations could have gone further. We would have liked to see the following recommendations:

1. That the government develop ways to counter the drop in federal funding set aside for projects in small communities, especially through:
   - Funds earmarked for programs and bilateral agreements that take into account their financial resources and problems linked to shortages of staff and expertise
   - Enhancing and increasing the Gas Tax Fund to fund improvements to their existing infrastructure
   - Renewing programs to clean water and treat wastewater in our fight against climate change as recommended by the Fédération Québécoise des Municipalités.
   - Greater flexibility in funding programs, terms and conditions of programs and the ranges of eligible expenses

2. That the government declared that internet access is a fundamental right. That access to broadband high speed internet must be available in all Canadian municipalities to ensure their long term development, productivity and sustainable economic growth. That broadband high speed internet is considered a public infrastructure for every community

3. To study the possibility of developing a protocol to evaluate the risks and vulnerabilities of infrastructures to the impacts of climate change, and to recommend measures to adapt to extreme weather events and future climactic conditions.
   - Require that risk assessments be conducted on the vulnerability to climate change, as well as other related risks, as a condition to approve financing infrastructure projects. This principle should be enlarged to include the approval of environmental impacts assessments and the design of infrastructure projects meant to restore or reallocate existing structures, as well as to new infrastructure projects.