



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Transport, Infrastructure and Communities

TRAN • NUMBER 003 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Wednesday, February 24, 2016

—
Chair

The Honourable Judy A. Sgro

Standing Committee on Transport, Infrastructure and Communities

Wednesday, February 24, 2016

• (1535)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): Welcome the Standing Committee on Transport, Infrastructure and Communities. This is our third meeting.

Pursuant to Standing Order 81(5), we are studying the supplementary estimates (C), 2015-16: vote 1c under Canadian Air Transport Security Authority, votes 1c and 5c under Office of Infrastructure of Canada, votes 1c and 10c under Transport, and vote 1c under VIA Rail Inc., referred to the committee on Friday, February 19, 2016.

We have many witnesses here to speak to us.

The chair would call vote 1c under Canadian Air Transport Security Authority, which effectively opens the floor.

I believe that Ms. Duncan is trying to get my attention.

Ms. Linda Duncan (Edmonton Strathcona, NDP): Yes, as I mentioned, there are two matters. One is that the main estimates have been tabled, and I wonder if we're going to be setting a date to review the mains, as well. Second, in two weeks from now, we will have the two ministers in. I think the request was put in, but I just want to confirm that we will have a meeting that will be televised.

The Chair: I'm going to ask the committee that we reserve 15 minutes at the end of the meeting so that we can take care of some housekeeping issues, including the comments and request by Ms. Duncan.

Can we open up the floor? We have Helena Borges, associate deputy minister for transport, infrastructure, and communities. I'll introduce everyone at the same time. We also have André Lapointe, assistant deputy minister and chief financial officer, corporate services, Transport Canada. We have Darlene Boileau, assistant deputy minister and chief financial officer, corporate services, Infrastructure Canada.

From the Canadian Air Transport Security Authority, we have Angus Watt, president and chief executive officer; and Andie Andreou, vice-president and chief financial officer.

By video conference, we have VIA Rail Canada Inc. We have Yves Desjardins-Siciliano, president and chief executive officer; and Patricia Jasmin, chief financial officer.

Welcome to all of you here in Ottawa. We very much appreciate your coming out on a snowy day to help us along with our work.

I will open the floor to whoever would like to go first.

Ms. Helena Borges (Associate Deputy Minister, Transport, Infrastructure and Communities, Department of Transport):

Thank you, Madam Chair.

I will start and just give you a couple of highlights of what is in the supplementary estimates.

I am here representing the portfolio for transport, which includes Transport Canada and Infrastructure Canada, as well as a bundle of crown corporations that report under the Minister of Transport to Parliament. Two of them are here because they are subjects in the supplementary estimates. They are VIA Rail and CATSA.

I will start by focusing on what is in there as an overview for the portfolio. The biggest amount is for Transport Canada, and it's an increase of \$27.6 million in appropriations. This is basically to assist the department in carrying out our mandate for a safe and secure, efficient, and environmentally responsible transportation system.

The main element under the estimates is for the Asia-Pacific gateway and corridor. This is really a request that will allow us to efficiently manage our funding commitments to recipients for these grant and contribution programs. The funds are actually re-profiled from fiscal year 2015-16, from the previous year to the present year, and it is important to note that this program is pretty much tapped out now. A total of \$910 million was announced for or committed to this program, and these are the residual projects that continue to be implemented by proponents.

[Translation]

The second biggest amount is for the Airports Capital Assistance Program. Since the program was launched in April 1995, 830 projects involving 174 airports have been funded, and 99 of those projects involved runway safety. These projects are essential to the safety of these airports.

Six program projects experienced various delays, and consequently, the \$7.6-million funding was deferred to 2015 and 2016 so that these projects could be completed.

Because of the remoteness of some locations, the large number of eligible communities, and the shortness of the construction season in several areas of the country, it is difficult to complete all of these projects during the year for which the funding is granted.

• (1540)

[English]

The total statutory appropriations for Transport Canada include funding for the St. Lawrence Seaway Management Corporation, and included in supplementary estimates (C) is \$1.9 million that will allow the corporation to do some infrastructure maintenance and funding for the Townline Tunnel, which is located in the Niagara region. By funding these repairs, the Government of Canada will maintain a safe and efficient means for travel in that region.

Regarding crown corporations, as I mentioned, we have one of the largest portfolios in government. If it would be helpful for you, I'd be happy, during questions and answers, to outline who makes up our portfolio and which crown corporations and other entities receive appropriations from government, versus those that are self-sustaining.

Through these estimates, the appropriations are being sought for the two crowns that are present at this session. For CATSA, we have an increase of \$6.5 million to continue CATSA's capital investments in security screening equipment for baggage that is checked in at the airports. These are for airports across the country that have U.S. pre-clearance facilities and their new technology to basically X-ray the baggage that goes through.

Finally, for VIA Rail, there is an increase of \$38.8 million in additional funding. These are to make required capital infrastructure investments to maintain a safe, efficient, and reliable passenger rail service in Canada. More specifically, this funding will allow VIA to advance the implementation of projects, including \$18.6 million in new capital funding that was part of the federal infrastructure initiative that was announced over a year ago, as well as some other infrastructure projects that VIA has as part of its ongoing capital improvements, and that is a re-profiling.

For Infrastructure Canada, there is funding in the estimates for the new Champlain Bridge corridor project. It's a total of \$61.8 million. As you may know, this is the bridge that's being built to replace the existing Champlain Bridge connecting Montreal to the south shore. The project agreement with the private partner that is constructing the project was signed on June 19, 2015. The project is on budget and on time. It is a very ambitious project.

The main span will be constructed by December 2018. The rest of the corridor, which includes road improvements, will be completed by October 2019. These are extremely tight time frames, but given the state of the existing Champlain Bridge, it was a priority to get this project built as soon as possible.

The amount that is required includes \$49.3 million. It's for operating funding, which basically allows Infrastructure Canada to deal with any unforeseen events in those components of the project for which it is responsible, not for the elements that the private sector is handling at this time. The money will be used, as needed, to deal with those unanticipated elements.

As well, there is \$12.5 million for the project. These are capital expenditures, primarily focused on land acquisition that has been required to construct the project, as well as some work that has been undertaken by Hydro-Québec to move some pylons to make way for the bridge.

In a nutshell, these are the highlights. There is, of course, more detail in there. We would be happy to answer any questions.

As has already been noted, the Minister of Infrastructure will be appearing before this committee on March 7. He will be speaking to his priorities, so we will not get into those today. Likewise, the Minister of Transport will be attending this committee on March 9 for the same purpose.

If it is helpful to the committee, we are prepared to give you an outline of the estimates process, if there are members who are not totally clear on how the process unfolds. If that is helpful, we'd be happy to do that.

With that, I'll pass it back to you, Chair, for questions.

The Chair: Thank you very much, Ms. Borges.

I'm going to take you up on that offer on the estimates. The more information we have, the better for all of us, regardless of how long we've been here. You can just send that to the clerk and he'll circulate to all of the committee members. Thank you.

Next, we have Mr. Angus Watt from the Canadian Air Transport Security Authority.

Mr. Angus Watt (President and Chief Executive Officer, Canadian Air Transport Security Authority): Good afternoon. I'm Angus Watt. I'm the president and CEO of CATSA, the Canadian Air Transport Security Authority. CATSA was established on April 1, 2002, and is an agent crown corporation fully funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport.

Our mandate consists of four areas of aviation security: pre-board screening, which is the screening of passengers and their belongings prior to their entry into the secure area of an air terminal building; hold baggage screening, or HBS, which is the screening of all passenger checked or hold baggage to prevent the boarding of prohibited items; non-passenger screening, which is the random screening of non-passengers accessing restricted areas at the highest risk airports; and a restricted area identity card program, which uses iris and fingerprint biometric identifiers to allow non-passengers access to restricted areas of the airport.

Supported by its screening contractors and their screening officer workforce, CATSA is expected to screen 58 million passengers and their belongings this fiscal year, 2015-16. More pertinently to this committee's deliberations on the supplementary estimates, CATSA is currently undertaking the life-cycle management of its HBS, hold-baggage system, through the recapitalization of equipment at airports all across Canada.

This deployment of advanced technology will ensure that CATSA remains compatible with its international partners, and that it employs best industry practices and standards to deliver a secure experience for air travellers. The initiative also supports the Canada-U.S. declaration of beyond the border, as it will eliminate the need for the United States transportation security administration to rescreen connecting baggage originating from Canadian airports with U.S. pre-clearance facilities.

This multi-year initiative started in fiscal year 2011-12, and it involves 32 airports, with an overall capital envelope of \$580 million. The HBS recapitalization initiative is highly dependent on airport collaboration and timelines associated with airport project plans.

Through the supplementary estimates (C), CATSA is seeking access to \$6.5 million in capital funds associated with that HBS program. This funding will allow the organization to continue to deploy the upgraded HBS system as part of the life-cycle management program and in support of the beyond the border initiative.

Thank you and I'm subject to your questions.

● (1545)

The Chair: Thank you very much.

From VIA Rail, we have Mr. Desjardins-Siciliano.

[Translation]

Mr. Yves Desjardins-Siciliano (President and Chief Executive Officer, VIA Rail Canada Inc.): Thank you, Madam Chair.

[English]

Members of the committee, good afternoon.

We're sorry we could not be in attendance with you in snowy Ottawa. Although it is snowing in Montreal, we have full confidence that if we had taken a train, we would have been there on time to meet with you. Unfortunately, it will be a pleasure that we will have to put off to another day and I look forward to the honour of meeting with all of you in person.

Today we are here to talk about our request for supplementary estimates (C).

By way of introduction, I'll just talk a bit about VIA Rail and its status within the apparatus of the Government of Canada. VIA Rail was formed in 1977 by an order in council. It is a non-agent crown corporation. It reports to Parliament through the Minister of Transport, and it is subject to annual appropriation. Its mandate is to provide a safe, efficient, reliable, and environmentally friendly transportation service that meets the needs of Canadians.

Up to 90% of our passengers travel within the Quebec-Windsor corridor. The rest of our travellers are either on *The Canadian*—the iconic train that you see on the back of your \$10 bill—from Toronto to Vancouver, or *The Ocean*, which goes from Montreal to Halifax. A small number of our travellers travel to remote areas like Senneterre and Jonquière, Quebec; from Winnipeg to Churchill, Manitoba; and Prince Rupert, B.C.

I have been the serving president and CEO since May 2014. Since that time, we have been busy refocusing our business to what counts most, which is our passengers. With that new vision of making and providing Canadians with a smarter way to move around Canada, we have been putting passengers first. Very early on, in the last 18 months, that experience has started to bear fruit. For the first time since the recession of 2008, ridership has picked up, and so has revenue, for VIA Rail. But much is left to be done.

Just a few minutes ago, I was informed that VIA for the first time has made the *Forbes* list of top employers in Canada, coming in 47th

in the top 250 Canadian employers, and fourth in Quebec. It is the highest-ranking federal institution as employer. Management at VIA take full credit for that ranking.

The estimates (C) request is for \$38 million, encompassing three areas of activity: information technology, equipment refurbishment, and infrastructure projects.

With regard to equipment refurbishment, we're looking at completing the fleet renewal undertaken back in 2010 of the LRC fleet, which is coming to the end of its term over the next seven to 10 years.

On the infrastructure side, we are looking for funds to complete work under way on subdivisions owned by VIA Rail: part of the Guelph subdivisions, the Alexandria subdivisions, and the Chatham subdivisions in southwest Ontario.

In order to provide context to members of the committee, I would like to make a few points with regard to the operating realities of VIA Rail. One that is VIA operates the oldest rolling stock in passenger service in North America, with an average age of over 40 years. Therefore, this refurbishment project is of immediate importance, so is the renewal of that fleet in very short order.

The second point is that the mission of VIA is really to take passengers out of their cars, specifically in the high-density Toronto-Ottawa-Montreal corridor, and put them into trains. To do so, VIA management has developed a plan to build and operate its own railway network between those major cities. The objective is to move five million passengers from their cars to the train, reducing the carbon footprint of Canadian cars in Canada by 22.5 million tonnes per year by that mere decision.

It is within the context of our renewed commitment to safe, comfortable, and environmentally sustainable passenger rail service, on behalf of the Government of Canada, that I submit to you our request for these estimates.

Thank you, Madam Chair.

● (1550)

The Chair: Thank you very much.

Do any of the witnesses want to offer the committee any further information before we open up the floor to the members? Okay.

Thank you very much for being so succinct. We appreciate that very much.

We will open the floor to members for six minutes each, starting with Ms. Block.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Madam Chair.

I would like to thank our witnesses for joining us today and also thank the departmental officials. I know that there is an army of people who provide support to the minister and his ministry. I'm looking forward to hearing some of your answers to our questions.

I'm going to start by asking some questions of CATSA. The first is the vote 1c in these supplementary (C)s. Why is the additional funding of \$6.5 million on overall authorities of \$705 million necessary?

Mr. Angus Watt: I can give you a very detailed answer with my CFO sitting here or I can give you the big strategic picture.

The big strategic picture is that this is a 10-year program, as I outlined. It's in partnership with the airports. The airports own the infrastructure and they build the whole baggage system that moves the bag. What we do is provide the X-ray machines. The airports, though... We established this plan way back in 2010 based on an expectation of what the airports schedule for those investments would be. As time passes, the schedule changes, so while we remain within the overall budget, we have to move money from one fiscal year to the other in order to remain aligned with the airports' plan. This \$6 million isn't new money; it's essentially a realignment of existing money.

Mrs. Kelly Block: For my own curiosity, where does the whole baggage screening take place?

Mr. Angus Watt: This is an interesting thing because I can tell you that until I became president of CATSA, I was unaware that it actually took place. It's in the basement of most airports. When you check your bag and it disappears behind the counter, it goes down through a series of conveyers usually into the basement of an airport, and there's this huge conveyer system there that channels your bag to the appropriate high-speed X-ray machine, which CATSA owns. That high-speed X-ray machine analyzes the bag to make sure nothing untoward is in the bag, and if it is clear, then it goes to the airplane. If it is not cleared, then it is searched by one of our personnel to make sure it is safe.

• (1555)

Mrs. Kelly Block: This is another general question, I guess.

CATSA was subject to an Auditor General evaluation last year. The AG noted that there were some deficiencies in relation to the communication of changes in screening procedures to screening officers. Can you comment on what specific changes CATSA has enacted to address that concern?

Mr. Angus Watt: That's a little outside the scope of this.

In general we have 6,000 screening officers across the country. We screen 150,000 people every day. It's a very complex operation. In order to better prepare them for their duties each day, the Auditor General noted that perhaps we could communicate changes in a more coherent fashion, which we have done through enhanced shift briefings—that's what we call them. When a screening officer starts this shift, they get them together as a group and they provide this update briefing as a means of enhancing that communication.

Mrs. Kelly Block: I will follow up with another question on that, if I may, and if you can't answer that, it's okay.

I know that the AG report also noted that CATSA uses key performance indicators to assess the performance of screening contractors and graded them on these metrics. It also remarked that contractors did not always implement the action plans designed to address this specific issue that caused them not to achieve the mandated performance target. Can you tell me what action CATSA is taking to ensure that all performance targets are being met by screening contractors?

Mr. Angus Watt: We have a complex network of KPIs that we use in conjunction with our airport security screening agreement with the screening contractors. Those are measured on a daily basis through CATSA personnel called performance officers who watch the screening officers perform their duties at airports all across the country every day. They never achieve perfection, so we're always trying to make it better. The answer is that it's not a one or a zero. It's not that they're not achieving their targets. It's just that we're always trying to encourage them to do better.

One of the ways we do that is built into the contracts, because we use third-party service providers. We build in financial incentives that incentivize these third-party service providers to improve their performance. What we do is adjust those KPIs and the associated financial incentives every year to encourage exactly what you've talked about, which is better performance.

Mrs. Kelly Block: Thank you.

The Chair: You have half a minute left, Ms. Block.

Mrs. Kelly Block: I think I'm fine.

The Chair: All right. Thank you.

Mr. Hardie, you have six minutes.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you, Madam Chair, and thanks to everyone for being here. It's a fascinating portfolio in total.

I wanted to talk a little about the St. Lawrence bridge and the corridor project. When do you anticipate a P3 agreement to be reached?

Ms. Helena Borges: The P3 agreement was reached in June 2015, and the winning consortium is already in the process of constructing the bridge project, as we speak. They've torn down one of the old portions of the bridge, and they're building what we call the jetties, the platforms they will use to replace the bridge they've torn down, as well as the replacement bridge for the St. Lawrence.

Mr. Ken Hardie: The question then comes back to the \$49.3 million that you're asking to be allocated for contingencies. My understanding of P3s is that risks are transferred to the private partner, so what's the necessity for this rather large amount of money?

Ms. Helena Borges: A portion of that money, \$12.5 million, is for capital expenditures that the department is responsible for. When we entered into the contract with the P3 concessionaire, we had already negotiated all the properties that were required for the bridge project. That's a normal process, because governments are in a better position to acquire the lands and clean them up. Part of that land acquisition involved having Hydro-Québec relocate some of the pylons that were in the right of way for the bridge, so it's going through that, plus the costs of the people who are managing the project.

The additional amount, the \$49 million for operating, is related to, again, obligations for Infrastructure Canada. We had conducted the environmental assessment early on in the project. For the project to go to procurement, we had the environmental assessment completed. As part of that, we took on a large number of recommendations in making sure we are mitigating the impacts on people and on the neighbouring communities, so we continue to do work like monitoring for air contaminants, noise, vibrations, and things like that, and working with the first nations to make sure that we're being sensitive to the archaeological elements there.

That's the kind of thing the money is for. It's just that when you're doing environmental monitoring and elements, things always come up that we don't know about at the time or how we're going to be able to deal with them. It's to deal with those aspects under the department's control.

• (1600)

Mr. Ken Hardie: Fundamentally, this amount of money will be allocated to things that could literally pop up out of the ground as problems. That leads to the question of whether this is substantially a brownfield project. Are you building across previously used land?

Ms. Helena Borges: We are. In some cases, it's previously used land. In effect we had to take out a whole neighbourhood on the south shore. We had to buy all the homes there. They've been torn down, and now the site is being prepared to hand over to the concessionaire for them to construct on.

The bridge is built parallel to the existing structure, so it's not as if we could take out the existing bridge and build exactly where it is. It's next to it, so there were sites that were lived in, that had other contaminants, we'll call them, from various activities. We've had to deal with all that.

Mr. Ken Hardie: If things go well, which they don't always do, maybe we can expect some of that money to come back.

Ms. Helena Borges: Yes, in effect it's contingency money, so if we don't need it, we won't spend it. It will return to the fiscal framework.

Mr. Ken Hardie: Under item 3, transfers and the internal reallocation of capital resources to fund operating, what isn't being done on the capital side to make this transfer possible?

Ms. Helena Borges: Transport Canada has a capital budget. We own a lot of assets across the country. We own ports, airports, other facilities where we test vehicles, and things like that. Every year we go through a priority-setting process where we look at the needs of our facilities and make sure we are able to maintain those facilities in a safe, environmentally sound way.

Every year we end up not being able to use up the capital money we have. Some of that money is either re-profiled to the next year or if it's beyond the amount we're allowed to carry over to the next year, lapses into the fiscal framework.

This year we've had an unusual situation. In our operating funding, we have, over the past couple of years, made an intensive effort to bring on more inspectors for our safety and security activities—rail safety, marine safety, aviation, and dangerous goods. In the past we've had a difficult time recruiting people for these occupations. We took a different approach to recruitment in terms of

being much more proactive, being out there, different ways of recruiting, including recruitment of some veterans.

We now have our inspectorate, a full complement of inspectors and oversight personnel, on board in those areas. What that does, though, is increase our operating expenses. When we bring those new people in, we have to pay their salaries. We also have to pay for their training. It will take us about two years to fully train an oversight inspector to perform their duties properly. As part of their training, they have to travel, because not all the training is where they are located. Most of our inspectors are based across Canada. There is, then, also the travel required for them to actually do their work, when they have to go and do inspections of the various entities.

With this big recruitment effort, and now that we're happy we have all these inspectors on board, we've had to spend a bit more money than anticipated, so we're moving some of that excess capital money one year to cover the operating.

The Chair: Thank you very much.

Moving on, Ms. Duncan, you have six minutes.

Ms. Linda Duncan: Thank you, Madam Chair.

I thank all of you for coming here. I'm sure we'll see lots of you over the coming years. We look forward to seeing the ministers as well.

My first question goes to Mr. Watt, but I'm not sure if the department would be involved in this as well.

The new funds for baggage screening, I understand you to say, are for hold baggage. Information has come to light through the French-language media that there was an incident at the Pearson airport as far back as 2011. It was the explosion of a lithium battery in luggage that was about to be boarded.

Questions are being raised because other countries, apparently, are taking measures to stop people from having active equipment with lithium batteries because of the risk. I'm wondering if this additional money for hold baggage also addresses that potential risk.

• (1605)

Mr. Angus Watt: I think I'll pass that to Helena.

We are a fully regulated entity, unlike in the U.S. The transportation security agency there actually regulates itself. Transport Canada determines what we screen for. It's up to Transport Canada to decide.

Ms. Helena Borges: With respect to lithium batteries, they can be included in things you carry in your checked baggage, or they could be articles that are put in the cargo hold of an aircraft. It could be both scenarios.

The lithium batteries are considered dangerous substances. We are a member of the International Civil Aviation Organization, which is the UN agency that is situated in Montreal. We work together with other countries to determine what can and should go on aircraft that doesn't pose a hazard to the aircraft, the occupants of the aircraft, and the other cargo on the aircraft.

There have been ongoing discussions about that. Actually, I believe it was last week that ICAO determined that they should not be allowed to go on aircraft. Our regulations will not allow that as well. We are in the process now of considering the ICAO decision, and we will comply with that requirement.

Ms. Linda Duncan: Thanks. I look forward to following up on that.

My next question is to VIA Rail.

I want to thank you for your service. During the disaster of 9/11, I was stranded in Fredericton at a meeting. VIA Rail brought me safely home to Alberta—so thank you very much—along with many people from around the world. That was how they got back to the west coast.

A lot of my colleagues have been raising questions over a good number of years about cutbacks to the service of VIA Rail. I guess my obvious question to you is, are the monies that are being allotted to you sufficient to allow you to continue the service? Are they going to allow you to bring back some of the services that are being cut? Or do you anticipate further cuts to the services provided by passenger rail?

Mr. Yves Desjardins-Siciliano: Thank you very much for your question.

The funds allocated here are really meant to maintain services as they are today. Enhancements have been made over the last year and a half, which account for our increase in revenue and ridership. But they are marginal improvements at best because the fleet is getting older every day and there is congestion on the railways. Because we use shared railways that are mainly used, owned, and operated by freight companies, time to destination and on-time performance is deteriorating every day as well. Therefore, the usefulness and relevancy of the service is decreasing. That is why, more and more, it is a challenge to get more people to leave their cars behind and get on the train.

To go back to these funds, half of these funds are a re-profiling of an amount already approved. The other half is part of the infrastructure program improvements for the Montreal-Ottawa corridor. To answer your question, these funds maintain the service as is. We do not have any plans to reduce service.

We would like to improve service as we improve our financial picture by self-generating funds. We'd like to reinvest these funds in better service, in service enhancements, which might mean more stops or new frequencies. If the freight lines give us access to their infrastructure, we'd like to introduce new frequencies.

These funds keep us going as we are, and there are no current plans to reduce service.

Ms. Linda Duncan: Thank you, Mr. Desjardins-Siciliano.

You raised the issue of climate change. It's been revealed to all of us that transport is one of the significant sources of greenhouse gases in Canada, an aspect as yet really unaddressed. Have you been brought to the table to discuss this?

• (1610)

Mr. Yves Desjardins-Siciliano: The transport portfolio is one that is a major contributor to greenhouse gases. Sixty per cent of those greenhouse gases are produced by cars, and that is why our project of having a dedicated line that would remove 5.5 million car trips per year off the corridor would significantly reduce the carbon footprint of drivers in Canada.

We are part of that conversation, inasmuch as we are promoting greater use of the service. To do so, we are proposing to build a dedicated railway that will make trip times shorter, allow more trains to be available for the convenience of passengers, and ultimately, also make the service more reliable, because you won't get stuck behind freight trains. If we do that, more people will get on the train and the carbon footprint of car drivers will reduce considerably.

The Chair: Mr. Sikand, you have six minutes, please.

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): My question is also in regard to CATSA. It was mentioned that upgrading the screening systems would be in keeping with the beyond the border initiative. Could you please expand on what that is?

Mr. Angus Watt: Do you want to take that, Helena?

Ms. Helena Borges: Go ahead. Then I can supplement.

Mr. Angus Watt: Beyond the border was an agreement concluded by Prime Minister Harper and President Obama several years ago. Essentially, it was done to remove barriers to the free flow of goods and trade and people across the border.

One of the key elements with respect to airports was the free flow of passengers. Because we had a differing technical installation in Canada, the hold baggage—in other words, the checked bags of our passengers—even though it was pre-cleared for U.S. customs, had to be rescreened in the U.S. using their X-ray system.

What we determined was that if we were to replace that system with the U.S.-certified latest technology, you could remove that requirement so that our bags wouldn't have to be rescreened. You might ask what difference that makes. What it means is less cost for the airlines and a better scheduling flexibility. It's largely invisible to passengers, but you would see it in the cost of a ticket and in the ability to schedule those airlines.

It had a deadline, and that deadline was to complete the installation of those systems by December 2015. With one small exception in Calgary for a couple of months, we met that deadline all across the country.

Mr. Gagan Sikand: I have a follow-up to that. Is that for the 32 airports?

Mr. Angus Watt: No, this is only for airports with U.S. pre-clearance. In other words, those are the big class 1 airports. The 32 airports encompass a wide variety of airports.

We're replacing the X-ray machines in the hold baggage rooms of airports all across the country, not just in the big airports with U.S. pre-clearance. Beyond the border was a subset of that program. What it did was accelerate that program for a certain specific number of airports, and we met that acceleration time.

Mr. Gagan Sikand: Thank you.

The Chair: Do you have any further questions, Mr. Sikand? You still have three and a half minutes.

Mr. Gagan Sikand: Yes, I have a question with regard to VIA Rail.

You mentioned three things, the first being information technology.

Could you elaborate a little on a framework, or what you would need the supplementary estimates for with regard to information technology?

Mr. Yves Desjardins-Siciliano: This is the updating of the VIA Rail reservation system. VIA uses a reservation system that goes back to the 1980s, which was at the time shared with Air Canada. We are trying to move off of this mainframe platform to a distributed platform that provides reservation services on mobile devices.

As you know, today most people.... First of all, travel requests are first and foremost made online, and bookings are made online. Now the online tool has moved from the desktop to the mobile pocket device. Therefore, we are updating our systems to reflect that reality. A lot of work has to be done and, as you would expect in IT system development, there are always unexpected roadblocks. That's why these funds are required.

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

Mr. Fraser, you have six minutes.

Mr. Sean Fraser (Central Nova, Lib.): Sure, I guess I'll start with VIA Rail.

I want to dig a bit into the capital requirements. There's funding to address a \$20.2-million shortfall.

Could you explain where this money is coming from and if it's outside of the Montreal-Ottawa corridor, which is also seeking a large sum of funds?

• (1615)

Mr. Yves Desjardins-Siciliano: The \$20.2 million is a re-profiled amount that reflects the fact that the projects took more time to complete, either because of difficulty with suppliers.... In the case of the LRC and the HEP car refurbishment, one of the suppliers went bankrupt. The other one, out of the U.S., was just long on delivery, and therefore the project went over by a year. That's why the amount is being re-profiled for that one.

The other one has to do with infrastructure projects on the Guelph, Alexandria, and Chatham subdivisions. Because of the peak right now in demand for railway work by our private sector competitors—CN, CP, and others—which are also doing railway work, contractors are incurring shortages in staff and capabilities. Therefore, the project has taken more time, because contractors don't have the staff available to do the work within the time frame allocated for these budgetary items.

Mr. Sean Fraser: With respect to the demand on the railway work, is that mostly on the actual track itself, or on the cars? For what kind of work are you experiencing a demand?

Mr. Yves Desjardins-Siciliano: It's on infrastructure work, and there are two types. One is steel. Rail steel is in high demand in North America because of the growth of regional passenger rail services.

In the last five years, for example, GO Transit out of Toronto, has grown by over 21%, and they have acquired 83% of their network. Therefore, they are investing heavily in upgrading that capability and they need steel. Freight railways across North America are also demanding a high level of steel for their track infrastructure.

There are shortages on component parts, mainly steel for the tracks, and the manpower. Contractors who specialize in these fields are typically independent contractors, because over the last 20 years, the major players, the big railways, have divested those capabilities. They used to own their workforce, but they have divested over time and created this industry of contractors in railway works. That group of contractors is seeing a huge growth in demand for their services, and they have a shortage of skill sets.

When I go to engineering schools today and ask a class of 200 how many are planning to be in the railway business, as you could expect, nobody puts their hand up, because for the last 30 years, rail has not been perceived as a cool future or a cool career.

There is a shortage across the board with regard to the railway build and maintenance capability, and that's a North American phenomenon.

Mr. Sean Fraser: You mentioned as well that there's been an increase in revenue and ridership on VIA Rail's passenger services. Is this going to be significant enough to reduce the amount requested in the estimates, or is that not coming close to impacting it?

Mr. Yves Desjardins-Siciliano: The increase is marginal at best. We are expecting to net out 35,000 to 40,000 new passengers in 2015. That's over a base of four million, so it's insignificant. On the revenue side we'll finish around \$8 million better than our revenue forecast. Again, on a total budget of \$600 million, it's negligible. On a revenue budget of \$260 million, it's also quite negligible. That is because the improvements we can bring to the service, where cars are outdated, the time to destination is longer than it's ever been, and the on-time performance has deteriorated from 87% five years ago to 64% last year, is just not attractive to passengers.

Mr. Sean Fraser: Under the transport appropriations, one of the things that I wasn't clear on earlier was that under the capital assistance program, there's \$7.6 million in play. Could you explain to me what the basis of that figure is?

Ms. Helena Borges: Under the airport capital assistance program, we fund a variety of airports across the country, and we pay for safety improvements, usually on the air side of the airport rather than in the terminal building. A lot of this work is done in airports that are in more remote locations, so their construction period is somewhat limited and they haven't been able to complete their work. But we have an agreement signed with them, so what we're doing is taking money that wasn't spent last year and bringing it forward to this year so that they can finish their projects this year.

• (1620)

Mr. Sean Fraser: Is it a case-by-case assessment of the capital needs of each airport?

Ms. Helena Borges: They submit a plan to us. Every year we have roughly \$40 million to spend and they submit applications to us. We have criteria based on what the airport has to be. They have to have, for example, more than 1,000 scheduled passengers. They have to be a certified airport. Depending on the size of their airport and their ability to pay, we pay shared funding. They put a share, we put a share, and the projects are specified. They have to be safety-related projects. Every year we get a lot.

The Chair: Thank you very much. I'm afraid I have to interrupt here.

Mr. Sean Fraser: Thank you very much.

The Chair: Ms. Watts.

Ms. Dianne Watts (South Surrey—White Rock, CPC): Thank you very much, and thank you for coming and being here today.

On the infrastructure, the \$12.5-million capital land acquisition, there were some comments made around environmental assessments and all of these.... Is that directly related to the acquisition of the land? I would expect that you would do due diligence if there were environmental issues initially.

Ms. Helena Borges: Some of that is for the acquisition of the right of way. That was Hydro-Québec's. When we acquire the land, we do the environmental assessments, but it's also the cost of relocating the hydro pylons out of that right of way. They have to move them, and we have to compensate them for those costs.

Ms. Dianne Watts: My second question comes back to the almost \$50 million here. You said it's used as needed for unforeseen events. How is that number arrived at when you determine what an unforeseen event is? How do you come to precisely \$49,310,925?

Ms. Helena Borges: It's a little bit hard. It's an estimate that we try to come up with. We know roughly what the ongoing work is, for example, on the environmental front and how much it's costing us. Some of them we can cost. Some of it is a forecast of what could come and how much we will need per year. It's a number that's partly based on numbers we know, partly on an estimate.

Ms. Dianne Watts: You're taking the existing funds and repurposing them on this front.

Ms. Helena Borges: Exactly.

Ms. Dianne Watts: Any time left over I'll give to my colleague, the vice-chair. My last question is on the Asia-Pacific gateway. I understand that most of that fund has been committed, so the \$11 million is to manage that. Is that what I'm hearing?

Ms. Helena Borges: It's to finish off the projects that aren't yet completed. They're already committed, but they're just being finalized.

Ms. Dianne Watts: All right. Thank you.

[*Translation*]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you very much, Madam Chair.

This is my first parliamentary committee on this matter and this is a very fine experience. I find it impressive to see you all here, ready to answer our questions. I thank you for being here with us.

My question concerns the Champlain Bridge and the Signature on the Saint Lawrence Group.

Earlier, you mentioned that the public-private partnership, or PPP, protocol had been finalized in June 2015. If I am not mistaken, that protocol included tolls. Since that time, there have been discussions with the firm. A contract stating the government's intention to abolish tolls on the bridge was signed.

Ms. Helena Borges: Yes. We are currently holding discussions with the consortium that is building the bridge. As you know, the government announced that there would be no tolls on the bridge. Consequently, we must remove the provisions in the contract involving tolls and to do so, we have to come to an agreement with the consortium. Negotiations on this matter are taking place.

• (1625)

Mr. Luc Berthold: The Parliamentary Budget Officer estimated that the cost of this project, including the design and construction, would be between \$3 billion and \$5 billion. He also mentioned that those costs included construction costs, approaches and so on. He estimated that for the business, cost recovery in the context of the PPP, based on government estimates, would also be in the order of \$3 billion to \$5 billion.

Currently, in the budgets, do you have funds to offset this missing \$3 to \$5 billion? If I understand correctly, in fact, that money is nowhere on the books.

Ms. Helena Borges: When the government announced the agreement with the consortium, we included amounts of almost \$4 billion in the fiscal framework. So this has already been included in the fiscal framework. Since there will not be any tolls, the government has to pay for all of it.

Mr. Luc Berthold: So we are talking about the \$4 billion estimated by Transport Canada.

Ms. Helena Borges: Those are not the estimated costs, but the ones in the contract.

Mr. Luc Berthold: I see.

The business was going to obtain \$4 billion through the tolls, but the government is now going to have to foot the bill for that amount.

Ms. Helena Borges: According to the contract, the government assumes the liability regarding the tolls. It committed to paying that amount after having signed the contract.

Mr. Luc Berthold: Will that amount have to be paid in one lump sum, or will it be spread out over a 10-year period?

Ms. Helena Borges: It will be paid over 34 years.

Mr. Luc Berthold: In other words, funds will have to be paid every year to the business to offset the shortfall due to tolls not being collected from the motorists.

Ms. Helena Borges: Yes. The construction costs, the largest amount, will come first. When the construction is complete, the government will have to pay a certain amount every year to the consortium.

[English]

The Chair: Thank you, Mr. Berthold. You've completed the sharing of your time with Ms. Watts, and it is now your own turn.

Mr. Berthold, it is now your turn.

[Translation]

Mr. Luc Berthold: I see.

It had been estimated in planning the project that the tolls would cause a reduction in greenhouse gases. When the new bridge was being designed, it was assumed that there would be fewer vehicles using the bridge. However, since there will be no tolls, it is now estimated that there will be numerous vehicles using the bridge. Has the impact of that change been assessed by Transport Canada?

Will this new bridge improve the situation for motorists in Montreal and the region, or will it worsen the current situation, which is quite problematic?

Ms. Helena Borges: This bridge is being built for the sole purpose of improving the situation. The new bridge will have six lanes for cars and trucks and two lanes for public transit, for buses. Quebec may also want to introduce light rail transit on those lanes.

This is going to improve the situation considerably.

Mr. Luc Berthold: It will improve it, but greenhouse gases will not necessarily be reduced. There are going to be more lanes, and so there will be more vehicles in circulation.

Ms. Helena Borges: Perhaps, but congestion also produces greenhouse gases. When cars are immobilized they produce emissions. With the new bridge, circulation will be more fluid than it is currently.

Mr. Luc Berthold: Thank you.

I have a little time left to ask one last question.

Earlier you mentioned VIA Rail. You made our mouths water with talk of the Montreal-Toronto corridor, where one track would be reserved for a passenger train. What are the intentions in this regard? The possibility of extending the corridor to Quebec City was also mentioned. Is that included in the plan? Are there any studies being done on that? Is the Montreal-Toronto corridor the only one being studied at this time?

Mr. Yves Desjardins-Siciliano: The objective of the work was to determine the minimal investment for a maximum return in the shortest possible time. That is how we came up with the project for the Montreal-Ottawa-Toronto corridor, to be built over a period of less than four years, at a cost of \$4 billion. The idea was to modify the public notion of devoting 30 years to studies on a high-speed Quebec-Windsor train that would cost \$22 billion, take 12 years to build, do nothing for regional services and compete with air transportation, and cause a lot of distortion in transport modes. The objective was to focus public attention on a solution that would be quicker to deploy and more affordable.

Now that that has been done, the addition of other segments, for instance Quebec-Montreal or Toronto-London, or another segment, is entirely feasible. It is a matter of ridership and cost. To the extent that the additional cost would increase ridership and maintain the profitability of the project, anything is possible. We studied the Montreal-Ottawa-Toronto project and are now considering an expansion to Quebec city and southwestern Ontario. Other discussions will have to be held to decide where we will begin.

• (1630)

Mr. Luc Berthold: If I understand correctly, the study on the segment to Quebec is being considered, but it has not begun.

Mr. Yves Desjardins-Siciliano: Absolutely.

Montreal and Quebec are two markets that have cultural and commercial affinities, in addition to linking the Quebec metropolis to the capital of Quebec. These are two natural markets, consequently. As for the potential ridership between Montreal and Quebec, you have only to travel on highway 20 or 40 to see that millions of cars travel there every year. We are doing that study and when the time comes to make a decision, we will have all of the information needed to maximize the return on investment and minimize the impact on the Canadian taxpayer.

Mr. Luc Berthold: You just said words that struck a chord with me: "when the time comes". When do you think that will be, Mr. Desjardins-Siciliano?

Mr. Yves Desjardins-Siciliano: We think we have already put in place the minimal parameters for the Montreal-Ottawa-Toronto corridor, i.e. an investment of \$4 billion and an increase in ridership from 2 million to 7 million. This project will be built in four years and it can be financed with a contribution from the Canada pension plan, which invests in rail passenger transport throughout the world. They have already indicated their interest in this project. We think the project could begin in the course of the coming year, if all of the conditions are met, which of course includes the VIA Rail fleet we referred to earlier, which needs to be renewed.

Mr. Luc Berthold: Thank you very much.

[English]

The Chair: Thank you very much.

Are there any further questions of the witnesses?

Ms. Duncan, if would you like to..., you have three minutes.

Ms. Linda Duncan: Thanks.

I have a quick question. This is probably for Ms. Borges, but I'm not sure. I'm looking under transport. In terms of funding to support regulatory reviews for major national resource projects, I'm puzzled trying to find what in budget 2015 this is related to. Is it the funding to support aboriginal northern communities to participate in tanker traffic issues? Maybe you can tell me what precisely this is for, and why the Government of Canada would be paying some of the costs for assessments of resource projects.

Ms. Helena Borges: As you know, there are several pieces of federal legislation that require the government to review these projects, such as the Canada Environmental Assessment Act, for example, the Fisheries Act, and the Navigation Protection Act. When projects have implications for transportation, we collaborate with the Canadian Environmental Assessment Agency in doing the assessment of those projects, because we are considered a technical expert on the transportation side.

That's what these reviews are. They are reviews for any projects across the country that are subject to a review under that act.

• (1635)

Ms. Linda Duncan: I remain puzzled, because under our review process the proponent is supposed to pay the costs of the review. Why would Transport Canada be paying the costs of a proponent to propose a project to be reviewed under the federal assessment process?

Ms. Helena Borges: We don't pay the proponent. These are employees that we have. We have to pay their salaries to do the work and any travel that's required for them to conduct the review elements that are under Transport Canada's responsibility.

Ms. Linda Duncan: Well, \$2.9 million is a lot of money for travel.

Ms. Helena Borges: It's not travel, though. Much of it is salary dollars. There is some travel, but—

Ms. Linda Duncan: Is it new staff?

Ms. Helena Borges: It's existing staff, but the funding expires every...it's a renewable program. It's one whose duration is usually for three years. We fund their salaries, we fund their benefits, we fund the accommodations for them and some travel, and sometimes legal support as well, because we have to look at the applicability of the law to the proposals.

Ms. Linda Duncan: I'd appreciate any details you can send to us outlining what those projects might be and for whom precisely you would be using that \$2.9 million.

Ms. Helena Borges: Sure.

Ms. Linda Duncan: Thank you very much.

The Chair: Am I seeing no further questions of our witnesses?

Ms. Block.

Mrs. Kelly Block: I have one, and if we're not going to go into another round, I'd appreciate being able to ask it.

The Chair: Yes, please do.

Mrs. Kelly Block: I note that in the supplementary estimates (C), under transfers to other organizations... I'd like to ask about the transfer from Transport to the Royal Canadian Mounted Police for policing of the Confederation Bridge.

Why is that money being transferred from Transport Canada to the RCMP, and why is Transport Canada and not Public Safety responsible for policing that bridge?

Ms. Helena Borges: Transport Canada is the owner of the Confederation Bridge that connects New Brunswick to Prince Edward Island. As part of the bridge operator—a private entity operates the bridge for us—we need to have policing services in case

there is any accident or anything in which the police would need to be involved, such as regular traffic policing and response to traffic events. The RCMP is the police force on Prince Edward Island. They don't have a local police force.

This agreement is actually between us, the Province of Prince Edward Island, and the RCMP. We are compensating the RCMP because it is a federal asset, not a provincial asset, but the agreement is with them.

Mrs. Kelly Block: Let me ask one follow-up to that.

Recognizing that these are supplementary estimates (C), can you tell me what the total cost is of policing the bridge?

Ms. Helena Borges: That is the total cost.

Mrs. Kelly Block: It is the total cost...?

Ms. Helena Borges: It is the total cost, an annual cost.

Mrs. Kelly Block: Thank you.

The Chair: Ms. Watts, go ahead.

Ms. Dianne Watts: Thank you. This is on the previous question. I didn't quite get clarity on it.

Just going back to removing the tolls on the bridge, I understand that the tolls were to cover the estimated design and construction cost, which was going to be between \$3 billion and \$5 billion.

I heard you saying, did I, that the cost is \$4 billion?

Ms. Helena Borges: We have made these numbers public. I'll give you the number. It's \$3.9773 billion.

Ms. Dianne Watts: Okay.

The government is going to take on the risk concerning the ability to pay that back, because they have removed that. What is the time frame? If it is for construction and estimated design, it would seem to me that the private sector partner would want those dollars as the project comes to completion.

Ms. Helena Borges: The project is more than the design. It's the design, the construction, and the operations and the maintenance of the bridge. It's a 30-year concession period for operations and a total of four years of construction. The construction payments will be made within the four years the project is constructed, and that total amount is about \$2.2 billion for the construction.

For the operations, maintenance, and rehabilitation it's \$754 million over the 30-year period. There's also a financing cost that we have to, I'll say, compensate the private sector. They will be putting the money toward the construction part as well, because the bridge costs more than what the federal government is paying, and that is \$954 million.

• (1640)

Ms. Dianne Watts: That would be within that four-year...the financing?

Ms. Helena Borges: No. It's within the whole period, the 34-year period.

Ms. Dianne Watts: Okay, so the operation of the \$754 million would be amortized over 30 years, and then the other one with four years.

Ms. Helena Borges: Yes.

Ms. Dianne Watts: Okay, thank you.

The Chair: Mr. Fraser.

Mr. Sean Fraser: I'd like to quickly return to the Confederation Bridge, building on Ms. Block's questioning. I have some interest in the bridge. If you leave P.E.I. and you go to the Halifax airport or over the ferry, you do end up in my home riding. It's about the only way you can escape the island without coming through my backyard. I'm a little confused as to why it's coming up in the supplementary estimates process. If it's the complete cost of policing the entire bridge, why wouldn't it be built into a main estimate, as opposed to the supplementary estimates?

Ms. Helena Borges: That's a good question.

Do you know the answer to that, André?

Normally what we do for payments between departments is that we do them at the end of the fiscal year, so they would be coming up at the end. It's just like the Shared Services Canada one. You'll see that in there for services rendered throughout the year, but we settle the accounts normally at the end of the year.

Mr. André Lapointe (Assistant Deputy Minister and Chief Financial Officer, Corporate Services, Transport Canada, Department of Transport): The agreement was signed in the summer of 2015, so by the time we catch up to the estimates process we land in estimates (C).

Mr. Sean Fraser: Just out of curiosity, so that I understand the framework going forward, for the next fiscal year would we be building this into the main estimates, or is this going to happen at the same time each year?

Mr. André Lapointe: This would probably happen at the same time.

Mr. Sean Fraser: Thank you.

The Chair: Ms. Duncan, do you have any further questions?

Ms. Linda Duncan: I'm fine, thanks.

The Chair: Mr. Iacono, you have a question?

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Mr. Desjardins-Siciliano, pleased to meet you, and thank you all for being here.

You mentioned earlier something with respect to a capital investment of \$20.2 million, and you also mentioned about refurbishing some of your trains. Which fleet of trains would you be refurbishing?

Mr. Yves Desjardins-Siciliano: Thank you for the question.

The fleet being refurbished is the LRC fleet, which was built in the 1970s by Bombardier.

Mr. Angelo Iacono: When you mean refurbishing, what exactly needs to be refurbished. What exactly is no longer up to date? Could you be more specific?

Mr. Yves Desjardins-Siciliano: The normal time frame for a fleet is about 30 years. Every 15 years or so mechanical components, and over time beyond that 15-year mark structural components, need to be replaced. This is the third refurbishment of that fleet. That's why it will be the last refurbishment. A refurbishment was undertaken in the late 1990s and early 2000s, again in the 2007 time frame, and now this refurbishment.

Mr. Angelo Iacono: Where would this work be done?

Mr. Yves Desjardins-Siciliano: The work was originally started in New Brunswick, but the firm there was taken into bankruptcy by the Province of New Brunswick. The work was then moved to Montreal. It was done partly at the VIA Rail maintenance facility, the Montreal maintenance centre in Pointe-Saint-Charles, and part of it was contracted out to a Montreal-based company called Cad Railways.

Mr. Angelo Iacono: Would you also be considering buying new trains?

Mr. Yves Desjardins-Siciliano: We put a request into our shareholders to replace this fleet. As I said in my introduction, this fleet is coming to its end of life after this refurbishment. This will only give it a 7- to 10-year life expectancy. The first cars were completed in this refurbishment back in 2012, and that means that by 2018 or 2019 some of those cars, if not replaced by a new fleet, will have to be taken out of service.

Mr. Angelo Iacono: You said that you've already undertaken studies on where you would be buying them from. Do you have any idea?

Mr. Yves Desjardins-Siciliano: No, not at this time. Through Canada's free trade commitments this is a procurement that would be open to international markets and players. There are some players in Canada that we all know, but there are also international players out of Europe and the United States who could decide to bid for this opportunity.

•(1645)

Mr. Angelo Iacono: Thank you.

The Chair: Mr. Berthold, do you have another question?

Go ahead.

[Translation]

Mr. Luc Berthold: Thank you, Madam Chair.

I would like you to tell me whether there are other bridges where Transport Canada must also pay for the police services that provide surveillance.

Ms. Helena Borges: That is not Transport Canada. In Montreal, it is the Jacques-Cartier and Champlain Inc. company that manages the Champlain Bridge and pays the Sûreté du Québec for police operations on the bridge when that is necessary. They have an annual contract to cover those activities.

Mr. Luc Berthold: They have to pay for the police services provided on those two bridges.

Ms. Helena Borges: There are other crown corporations, for instance the Federal Bridge Corporation Limited. That corporation owns the bridges over the St. Lawrence, in Cornwall, the Thousand Islands, and Sarnia. The police services on these bridges are paid for by that corporation. Those services may be provided by the municipal police or by a provincial organization. It varies. Since there is no federal police force for this sort of thing, those are the services that are used.

Mr. Luc Berthold: I would like a clarification on something.

Earlier, you gave a breakdown of the costs for the Champlain Bridge and you referred to a figure of \$954 million in financial costs. Did that sum have to be added because of the decision to not impose tolls? Is it the amount the business would have made from the tolls?

Ms. Helena Borges: The amount I mentioned was for the total cost of the project. The federal government has to pay the consortium, whether there are tolls or not. Since there will not be any tolls, the government will have to offset that. Be that as it may, that amount was the total cost for the project.

Mr. Luc Berthold: When you gave the cost breakdown, you mentioned construction costs, operation costs, and you added financial costs.

Ms. Helena Borges: I was talking about financial expenses.

Mr. Luc Berthold: Yes, there were financial expenses. Were those costs added? Normally, they would be paid by the users of the network.

Ms. Helena Borges: No, those are financial expenses. The private partner contributes to the cost of the project and advances the funds for the construction. Over the years to come, we will have to pay the amount the partner will have spent on the construction.

[English]

The Chair: Mr. Badawey.

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

I guess this question can go to all the folks in the room here this afternoon, but specifically to Mr. Desjardins-Siciliano to start off with.

You mentioned the fact that your stock and your assets are coming to the end of their life cycle. With that said, I'm sure that over time you've had a certain amount of dollars within your operating budget to finance the repair and maintenance of your assets.

Is there now, either within these supplementary estimates or placed in reserves over time, the amount of dollars that will in fact replace the assets that need to be replaced?

Mr. Yves Desjardins-Siciliano: There are no amounts set aside or under reserve to replace the assets. Every year, through the annual appropriation for which we are before you today, VIA Rail secures either the operating funding or the capital funding required to maintain the fleet in a state of good repair.

From time to time, every seven years or so, as I indicated earlier in answer to Mr. Iacono's question, a significant refurbishment has to be undertaken. That is done through an appropriation decision by the Government of Canada. There are no funds in reserve for a renewal

of this fleet and that's why this will be a separate government decision.

Mr. Vance Badawey: Just to be clear, when you do need to replace do you come that fiscal year to ask for the funds to replace your stock?

• (1650)

Mr. Yves Desjardins-Siciliano: That's correct. We make the request to our shareholders through the good offices of Ms. Borges and officials at Transport Canada, and then the minister and his colleagues, the cabinet, the Minister of Finance, decide in their budget to allocate the funds for the renewal of a fleet. We're talking here of something north of \$1 billion, so it is a significant undertaking.

Mr. Vance Badawey: Thank you.

It's the same question to Transport Canada, specific to your assets, and the question ultimately relates to an asset management plan. What I'm looking at, in all fairness to the folks, is life cycle and of course, financing that life cycle throughout time, to repair and maintain, yes, but also through replacement when its life cycle is exhausted.

Ms. Helena Borges: Yes, we do. We have an annual capital budget. You'll see in the supplementary estimates (C) that there's an operating vote, a capital vote, and a G and C vote. We have a capital vote every year, so with that money, as I mentioned before, we have 18 airports that we still own and operate. We have 50 ports that we still own and operate, plus other facilities that we own. We have a five-year investment plan, and we make sure that our assets are being maintained and kept in a safe operating condition.

Periodically, like Mr. Desjardins mentioned, there may be a need for a bigger investment, so if necessary, we will go to cabinet and get approval for that, and that will be provided one time, specifically for that. But we do have an annual capital vote that we can tap to maintain our assets because we have quite a few.

Mr. Vance Badawey: Thank you. A last question, Madam Chair, if I may.

When that does happen, when you need that unexpected amount of dollars to come in to fund a capital project, are you financing a debt or are you paying outright cash?

Ms. Helena Borges: It's paid out by cash. It would be included in a budget, for example, and then that money is made available to us for the period that we estimate the project will take.

Mr. Vance Badawey: Great, thank you.

Thank you, Madam Chair.

The Chair: Mr. Hardie.

Mr. Ken Hardie: I have a quick question to all of the agencies. If you look back at the 2014-15 fiscal year, was there lapsed funding? Did you turn money back over to the treasury, and if so, how much?

Mr. André Lapointe: For 2014-15 for Transport, our carry-forward... It's essentially not money returned to the treasury. It's money that we get to use in the following year. We have a limit. It's about 5% of our budget year over year. In 2014-15, that limit was about \$30 million, and we actually carried forward \$15 million to \$16 million.

Mr. Ken Hardie: And no lapsed funding...?

Mr. André Lapointe: No. There wasn't, but let me just put some detail around that. If you look at public accounts, you will see that there's a large amount of lapsed funding but in that are carry-forward amounts, for instance, for G and Cs from one year to the next. Even though that money will be used in the following year, it shows up there as a lapse, but it is actually used in the following year or following years.

Mr. Ken Hardie: Got it...and for CATSA?

Mr. Angus Watt: For CATSA, for 2014-15, just to give some perspective, our overall budget that year was \$620 million, and we lapsed \$3.263 million.

Mr. Ken Hardie: And for VIA?

Mr. Yves Desjardins-Siciliano: Last year we would have returned about \$7 million out of an operating budget of about \$600 million. This year we're forecasting around \$6 million, so about 1%.

The Chair: Are there any further questions of the witnesses by the members? Have you exhausted all of the questions? Good.

We'll go into the—

Mr. Vance Badawey: I have a question.

The Chair: I always said I would try to be flexible with everyone.

Mr. Vance Badawey: Thank you, Madam Chair. I just have a loose end.

Mr. Siciliano just mentioned that he gives back, out of the operating budget, about \$7 million. Why wouldn't you look at actually establishing a reserve to look at replacing those assets, to actually put that into an account?

Mr. Yves Desjardins-Siciliano: The \$7 million was from the amounts earmarked for capitalizing our pension plan. Therefore, those amounts cannot be re-profiled or moved across the line.

• (1655)

The Chair: I am now going to call the vote on the various motions in front of me.

CANADIAN AIR TRANSPORT SECURITY AUTHORITY

Vote 1c—Payments to the Canadian Air Transport Security Authority for operating and capital expenditures.....\$6,513,787

(Vote 1c agreed to on division)

OFFICE OF INFRASTRUCTURE OF CANADA

Vote 1c—Operating expenditures.....\$49,310,925

Vote 5c—Capital expenditures.....\$12,537,085

(Votes 1c and 5c agreed to on division)

TRANSPORT

Vote 1c—Operating expenditures.....\$5,312,160

Vote 10c—Grants and contributions.....\$21,844,683

(Votes 1c and 10c agreed to on division)

VIA RAIL CANADA INC.

Vote 1c—Payments to VIA Rail Canada Inc.....\$38,790,134

(Vote 1c agreed to on division)

The Chair: Shall the chair report vote 1c under Canadian Air Transport Security Authority; votes 1c and 5c under Office of

Infrastructure of Canada; votes 1c and 10c under Transport; and vote 1c under VIA Rail Canada Inc. to the House?

Some hon. members: Agreed.

The Chair: Thank you very much. We have completed this part.

I'd like to specifically thank the witnesses for coming on very short notice. I believe it was 30 hours' notice for VIA Rail and 46 hours' notice for the departments. Thank you so much for being available and sharing so much information with us today. We no doubt will see lots of each other as the time progresses.

I'm going to suspend the meeting for two minutes in order to give the witnesses a chance to exit before we continue.

• (1655)

(Pause)

• (1655)

The Chair: I'm going to call the meeting back to order.

There are a couple of things I want to discuss, one being that the ministers are coming on March 7 and March 9. To be efficient with our time, I wonder if the committee would like to deal with the main estimates at the same time as we have the ministers here on March 7 and March 9.

Mr. Sean Fraser: Does this require a motion? I'm happy to make one.

The Chair: It would need unanimous consent if we are going to deal with this idea today.

Ms. Duncan.

Ms. Linda Duncan: Yes, it was, of course, me who wanted to raise the question of when we were going to review the main estimates. I would only agree to this on the condition that we will have additional opportunities to review the main estimates because that's a whole discussion unto itself. That's a big document. We have a lot of things to talk to the ministers about, and I'm not convinced that we'll be able to go through all of the aspects of the main estimates in the meetings with the ministers.

I have some reservations about that. I think we should agree that we can raise questions with the minister, which would be normal because they've tabled them and the ministers are coming in, but I would hope that we will have another opportunity, if we all agree, to bring in the officials to go through the main estimates in greater detail.

• (1700)

The Chair: It certainly sounds sensible to me. There is a fair amount that certainly the members are going to want to discuss with the ministers in the committee, but we could at least get the process started. We have until May to finalize that.

Do we have unanimous consent to deal with the main estimates at the same time, on March 7 and March 9, knowing full well that we will probably want them to come back at another date? Do I have that correct?

Ms. Linda Duncan: I think that's contradictory.

The Chair: Well, be specific. I understood that you would be....

Ms. Block.

Mrs. Kelly Block: I'm wondering if Mr. Fraser would include that second piece in his motion, that it be subject to the opportunity to call back the officials for further discussion on the mains if deemed necessary.

Mr. Sean Fraser: I'm fine with that. I'll move that during the meetings on March 7 and 9 the committee also consider the main estimates as they relate to the Transport and Infrastructure portfolios, subject to the committee's wishes to conduct further considerations of the main estimates with officials from the departments, if the committee deems it appropriate at a later date.

The Chair: Terrific. What a great group of people. We have unanimous consent.

Ms. Duncan had asked about having the minister's meeting televised. I will ask the clerk: have you requested it, or will you request it?

The Clerk of the Committee (Mr. Andrew Bartholomew Chaplin): I already have and it's already arranged.

The Chair: That's great.

Ms. Linda Duncan: We've now decided what we're doing it in a different location, I presume.

The Chair: It's Centre Block, and that's been done.

Is there any other business to discuss today?

It's only five after five so we're doing really well.

I move adjournment of the meeting.

Thank you all very much.

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

SPEAKER'S PERMISSION

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

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

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

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

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

PERMISSION DU PRÉSIDENT

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

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

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

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