

Minister of Infrastructure
and Communities



Ministre de l'Infrastructure
et des Collectivités

Ottawa, Canada K1P 0B6

CLERK'S OFFICE
BUREAU DU GREFFIER

2018 OCT 18 A 11:41

Greffier de la chambre des communes / Clerk of the House of Commons
Chambre des communes / House of Commons
Ottawa, Ontario

Monsieur,

Veillez trouver ci-joint aux fins de dépôt à la Chambre des communes, en vertu de l'article 109 du Règlement de la Chambre des communes, et aux fins de renvoi au Comité permanent des transports, de l'infrastructure et des collectivités, deux copies, dans les deux langues officielles, de la réponse du gouvernement du Canada au 25^{ème} rapport du comité intitulé « *Mise à jour sur l'infrastructure* ».

Veillez agréer, Monsieur, l'assurance de mes meilleurs sentiments.

Dear Mr. Robert:

Enclosed for tabling in the House of Commons, pursuant to standing order 109, and for referral to the Standing Committee on Transport, Infrastructure and Communities, are two copies, in both official languages, of the Government of Canada's Response to the 25th Report of the Committee entitled "*Update on Infrastructure*".

Yours sincerely,

L'honorable / The Honourable François-Philippe Champagne
C.P., député / P.C., M.P.

Ministre de l'Infrastructure et des Collectivités /
Minister of Infrastructure and Communities

Pièces jointes

Enclosures

Canada



The Honourable Judy A. Sgro, P.C., M.P.
Chair of the House of Commons Standing Committee on
Transport, Infrastructure and Communities
The House of Commons
Ottawa, Ontario K1A 0A6

OCT 17 2018

Dear Ms. Sgro:

The Government of Canada welcomes the occasion to respond to the Standing Committee on Transport, Infrastructure and Communities report titled, *Update on Infrastructure*.

Infrastructure is the backbone of communities and the Canadian economy. As such, effective infrastructure investments need to meet the unique local needs of urban, rural, remote and Indigenous communities across Canada, while also addressing national, economic and business priorities. As the Committee highlights, federal infrastructure investments should support communities across Canada through stable, predictable and well-targeted investments, robust data and knowledge, and a broad and forward looking needs analysis. The Government of Canada is committed to doing this by providing transparent, accountable, and predictable long-term infrastructure funding. That is why the Government of Canada developed the *Investing in Canada* plan (the Plan).

Announced in Budget 2016, expanded in Budget 2017, and building on existing programs, the Plan makes over \$180 billion available to support local, provincial, and territorial projects over 12 years. The Plan's five investment streams – public transit infrastructure, green infrastructure, social infrastructure, rural and northern communities infrastructure and trade and transportation infrastructure – reflect the Government of Canada's priorities. With these priorities, the Plan gives provinces, territories (PTs) and municipalities the flexibility to prioritize projects that meet their needs and accommodate varying local needs across the country. The Plan also provides for nationally directed investments to address bottlenecks or build capacity within Canada's transportation system to ensure businesses can access priority economies and to seize new opportunities from free trade agreements. The Plan is being delivered by 14 federal departments and agencies and Infrastructure Canada (INFC) is responsible for the overall coordination and annual reporting on the Plan's results. This recognizes that strong relationships across the federal government, and among all its partners, are essential to delivering results.

The Government of Canada is committed to ensuring the timely and successful implementation of the *Investing in Canada* plan to increase economic growth and create jobs for Canadians. To this end, we will work collaboratively, appreciating that provincial, territorial, municipal governments and Indigenous communities are partners in successful infrastructure projects.

I am pleased to outline below how the Government of Canada's approach to building Canada's infrastructure responds to each of the recommendations in the Committee's report.

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.

In order to meet both the immediate and longer-term needs of PTs and municipalities, the Government implemented a two-phase approach to infrastructure investment. The first phase of the Plan focuses on repairing and upgrading public transit systems, investing in water and wastewater systems, and making funds available to build and repair much-needed affordable housing. To date, bilateral agreements have been signed with all PTs to flow funds for immediate investments in clean water and wastewater, as well as public transit.

The second phase focuses on investments in small and large projects that will help prepare Canada's economic, social and environmental infrastructure for the future. To this end, key bilateral agreements are being negotiated and signed with PTs in areas like early learning and childcare, housing and other long-term infrastructure needs. For example, INFC's Investing in Canada Infrastructure Program (ICIP) will provide \$33 billion in funding to PTs through integrated bilateral agreements for investments in public transit, green, rural and northern communities, and community, culture and recreation infrastructure.

Once INFC commits funds to provincial and municipal projects approved under the ICIP, PTs and municipalities can begin implementing their projects, which immediately generates economic activity in their region. After eligible expenses have been incurred, PTs submit a claim to INFC for the federal contribution to those project expenses. PTs are expected to reimburse municipal partners for their expenses in a timely and transparent fashion when those funds are received from INFC.

As was outlined in my mandate letter from the Prime Minister, I will work with the President of the Treasury Board and Minister of Digital Government to ensure that we account for and flow infrastructure investment as construction work takes place. In addition, INFC will collaborate with provincial and territorial partners to explore the possible alternatives to the current infrastructure funding terms and conditions to address the timeliness and flow of funds while maintaining appropriate oversight and accountability for federal investments.

The Plan also includes programs that make funding directly available to municipalities and Indigenous communities, on terms that are flexible and responsive to their needs. These include two programs administered by the Federation of Canadian Municipalities that provide contributions to municipalities to develop their asset management capacity and to plan for the effects of climate change. It also includes the Smart Cities Challenge, which provides funding directly to winning communities to test and implement innovative new ideas that address community problems through data and connected technology. Municipalities are also eligible to apply for funds under the Disaster Mitigation and Adaptation Fund, which offers funding to help communities better manage the risks of disasters triggered by natural hazards.

Finally, the federal Gas Tax Fund delivers over \$2 billion every year to 3,600 communities across Canada. Funding is generally provided to PTs, who in turn flow this funding to municipalities to support local infrastructure priorities. Municipalities can pool, bank and borrow against this funding, providing significant financial flexibility. In recent years, the funding has supported approximately 4,000 projects each, and Communities select how to direct the funds with the flexibility to make strategic investments across 18 different project categories, including local roads and bridges, broadband and connectivity, drinking water, wastewater infrastructure, culture, sport and recreation. In addition, the Gas Tax Fund allocates funding to the First Nations communities through the First Nations Infrastructure Fund which is managed by Indigenous Services Canada.

Recommendation 2: That the federal government identify best practices in other jurisdictions with regard to data architecture technologies and future needs analysis.

Ensuring high quality, evidence-based policy is a key priority for the Government of Canada and for INFC. The *Investing in Canada* plan includes a commitment to improving data on the state and performance of core public assets. As part of this commitment, INFC is building on best practices identified in the United States, United Kingdom, Australia and New Zealand to achieve three data and research objectives: (1) enable the use of data and research in decision-making; (2) build connections with Canadians and Canada; and, (3) cultivate innovative ideas and practices.

A key component of the Government's commitment to improved infrastructure data has been the successful launch of Canada's Core Public Infrastructure (CPPI) Survey, developed by INFC in partnership with Statistics Canada. The goal of this national survey is to improve the knowledge and understanding of Canada's core public infrastructure assets (i.e., roads; bridges and tunnels; culture, recreation and sports facilities; social and affordable housing; public transit systems; solid waste systems; and potable water, wastewater and storm water systems) across the country. The CCPI is Canada's first national survey on core public infrastructure. The target respondents for the survey are municipalities, but other asset holders, including regional, provincial and federal governments and Indigenous communities, were also invited to participate. A summary of the 2017 key findings will be posted online in fall 2018. Key elements of the CCPI survey will be repeated every two years. Over time, it will give decision makers from all orders of government a clear view of trends on the state and performance of core public assets.

INFC also worked towards filling a data gap by undertaking design and development of additional content to the Capital and Repair Expenditures Survey (CAPEX). This enhancement to the CAPEX will allow for more detailed analysis of expenditures by infrastructure asset for each jurisdiction and will better address reporting requirements outlined in the Investing in Canada Results and Delivery Charter. Completion of in-field testing and the development of electronic questionnaires for the enhanced CAPEX survey will occur in the 2018-2019 fiscal year. INFC is also investing in its internal research capacity to identify and communicate best practices and translate innovation in the infrastructure sector.

The Smart Cities Challenge team is actively engaged with both the international and national communities of smart cities practitioners. The engagement is intended to promote the Smart Cities Challenge, to share best practices, and to learn about issues and needs relating to future technology requirements and data management approaches, including issues of privacy and cybersecurity. Participation in international fora will ensure that Canada remains at the forefront of data and technology infrastructure development.

In addition, within the broad context of trade and transportation infrastructure, \$50 million over 11 years has been allocated to Transport Canada to develop a trade and transportation information system to address gaps in the available evidence-base regarding Canada's transportation system, through investments and enhanced collaboration with stakeholders to better inform strategic decisions on transportation.

Finally, the Canada Infrastructure Bank will collaborate with all orders of government on data collection to improve the analysis and investment decision-making process around projects that involve private sector partners and revenue-generating infrastructure assets.

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.*

The Government publicly tracks all of commitments related to sustainable infrastructure through the *Mandate Letter Tracker: Delivering Results for Canadians* website. To support better tracking of individual projects, INFC is implementing a new online, end-to-end, case management tool that will modernize and streamline the management of INFC funding programs and be a "one-stop-shop" for INFC funding program recipients, primarily provincial and territorial governments. This new portal, the Infrastructure Recipient Information System, will be a key digital service through which INFC will implement the ICIP. The Infrastructure Recipient Information System will provide the ability for INFC funding recipients to securely share information online and to communicate with INFC on infrastructure plans, project submissions, performance and results, as well as to submit claims.

The Government is also committed to ensuring that Canadians have access to accurate and timely information about infrastructure investments in their communities. An interactive map on the INFC website provides project-level information and results from each department delivering on the Plan. The map informs Canadians about where infrastructure investments are being made, and how these investments will benefit their community. This user-friendly platform allows individuals to view and track projects of interest to them, from First Nations Child Care to Light Rail Transit, by sorting the information by region and Plan priority. The map is updated monthly, and is supplemented by program information from each of the 14 participating departments, as well as the open government portal.

In addition, INFC will work with the winners of the Smart Cities Challenge to pioneer new ways to transparently track progress toward the attainment of their stated economic, environmental, and social outcomes. By using the challenge model to foster and track federally funded infrastructure projects from design through implementation, processes and approaches can be adapted and replicated to innovate and build forward outcomes.

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.*

The Government is investing in priorities that will deliver significant economic benefit to the country as a whole, while also addressing the unique local needs of urban, rural, remote and Indigenous communities. As over 60 percent of Canada's gross domestic product is tied to international trade, the Plan includes \$2 billion for a National Trade Corridors Fund, administered by Transport Canada, to address urgent capacity constraints and freight bottlenecks at major ports of entry, and to better connect the rail and highway infrastructure that delivers economic growth across the country. Within the \$2-billion, 11-year National Trade Coordinators Fund, \$400 million has been allocated to making trade and transportation infrastructure investments in Yukon, Northwest Territories, and Nunavut. Funding is allocated to projects based on an assessment of their relative merits, including how they address the unique transportation needs in Canada's territorial north and support social and economic development. In addition, the \$2-billion Rural and Northern Communities funding stream of the ICIP is dedicated to the infrastructure needs of rural and northern communities, including transportation, broadband, food security, and energy security.

The Plan is also making investments in public transit. Public transit is the primary means of mobility for many Canadians, allowing them to access jobs, education, health care and social activities. In Budget 2016, the Government invested \$3.4 billion over three years in the Public Transit Infrastructure Fund to upgrade and improve public transit systems across Canada. To support the next phase of ambitious public transit projects, INFC signed bilateral agreements with PTs to provide \$20.1 billion in funding for public transit. This funding will enable the new construction, expansion, and improvement and rehabilitation of public transit infrastructure, and active transportation projects, in communities across the country.

INFC is committed to ensuring that communities across Canada benefit from the investments made through the ICIP. INFC's bilateral agreements with PTs require a "fair balance" of municipal and provincial projects. This approach ensures that communities are able to identify local needs and priority projects and that different types of communities can benefit from funding.

The federal government is also taking steps to be able to better identify areas where infrastructure investment would deliver significant economic benefit for the country as a whole. The Infrastructure Economic Account is a Statistics Canada tool used to measure economic activity, and will gauge the direct and indirect economic effects of infrastructure investments. It will fill existing information gaps and allow INFC to answer key questions regarding the value of Canada's infrastructure, what growth in gross domestic product is attributable to infrastructure investment, and how many jobs are directly and indirectly related to infrastructure investment. This will help the federal government develop a better understanding of how infrastructure investments support economic growth and to target investments appropriately. The Infrastructure Economic Accounts will be updated to include additional indicators (e.g. environmental and social impacts of infrastructure investments) and as new data for subsequent years become available.

Recommendation 5: That the federal government measure its infrastructure investments with respect to anticipated economic, environmental, and social outcomes

The Government of Canada is committed to building resilient communities that meet the needs of citizens today and the challenges of tomorrow. Over the 12 years of the Plan, the Government will invest over \$180 billion to achieve three objectives: generate long-term economic growth to build a stronger middle class; improve the resilience of communities and transition to a clean growth economy; and, improve social inclusion and socio-economic outcomes for all Canadians.

Each program developed under the Plan has its own reporting and measurement framework including implementation milestones, program outputs and shorter-term targets. Many of these performance indicators will use existing data sources, while others will use new data sources that are being developed with funding from the Plan. Each department will report on the programs they deliver through their respective annual Departmental Results Reports and on their departmental websites. For example, INFC's Departmental Results Reports will also include reporting on the components of the Plan delivered by other departments, as part of its role to coordinate reporting among federal departments delivering the Plan. This framework of shared outcomes will shape the way the Government selects and reports on projects funded under the Plan. The Government will track and measure these outcomes using long-term performance indicators providing concrete measures of the impact the Plan will have on the lives of Canadians.

Measuring economic, environmental and social outcomes is a priority across INFC programs. To promote an inclusive approach to employment and economic growth, our Government recently announced a Community Employments Benefit framework for infrastructure partners. The ICIP, Disaster Mitigation and Adaption Fund, and the Smart Cities Challenge have adopted a community employment benefits approach to funding. This will require that partners track and report on procurement and employment opportunities for at least three federal target groups (i.e. women, apprentices, Indigenous peoples, persons with disabilities, veterans, youth, recent immigrants, or small-medium-sized enterprises and social enterprises) as part of certain projects. Finally, these same INFC programs now require the use of an environmentally-friendly lens for all projects with a total estimated cost of over \$10 million and any projects that deal with climate change resilience or greenhouse gas (GHG) mitigation, to track the anticipated GHG emissions impact of an infrastructure project and climate change resilience, which is the ability of project to anticipate, prevent, withstand, respond to, and recover from a climate change related disruption or impact.

For further details on the Government of Canada's infrastructure strategy, I invite you to review the publication, *Investing in Canada: Canada's Long-Term Infrastructure Plan*, which can be accessed at <http://www.infrastructure.gc.ca/alt-format/pdf/plan/icp-pic/IC-InvestingInCanadaPlan-ENG.pdf>.

In closing, the Government of Canada thanks the Standing Committee on Transport, Infrastructure and Communities for its work and recognizes the contribution of many of its partners and stakeholders in conducting this study.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'F. Champagne', with a stylized flourish at the end.

The Honourable François-Philippe Champagne, P.C., M.P.
Minister of Infrastructure and Communities