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Chair

The Honourable Judy A. Sgro

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● (1530)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I'm calling to order the Standing Committee on Transport, Infrastructure and Communities, 42nd Parliament, meeting number 99. Pursuant to Standing Order 108(2), we are studying an update on infrastructure projects and the investing in Canada plan.

Welcome to all of you. We're very happy to have you with us today.

From the Association of Municipalities of Ontario, we have Pat Vanini, Executive Director. She will be here with us via video conference.

From the Federation of Canadian Municipalities, we have Brock Carlton, Chief Executive Officer and long-time friend; and Alana Lavoie, Manager, Policy and Research.

From the Fédération québécoise des municipalités, we have Patrick Émond, Director, Research and Policies; and Yvon Soucy, Vice-President.

Everybody, please restrict your comments to five minutes in order to give the committee members sufficient time for their questions.

Ms. Vanini, would you like to lead off?

Ms. Pat Vanini (Executive Director, Association of Municipalities of Ontario): Thank you very much, Madam Chair and members of the committee. I'm pleased to able to join you remotely today.

My understanding is that part of the responsibility of the committee is to take a look at some of the experience of phase one and what it might mean for phase two of some of the infrastructure programs.

Before I start to provide some observations, I think you should know a little bit about AMO.

Our mandate is to support and enhance strong and effective municipal government in Ontario. We have a lot of program experience. We actually administer the gas tax program on behalf of the federal government to 443 municipal governments in this province. Just recently we've taken on the administration of a provincial program to revitalize main streets. We have that day-to-day experience that we can draw on.

I also would like to give the members a little bit of context around Ontario. I think everyone knows Toronto quite well, but there are other parts of the province.

There are 444 municipal governments. The size and the nature is different across the province—18% of those 444 municipal governments have populations under 1,000, which is fewer than some of the high school populations in my neighbourhood; and 7% have a population greater than 100,000. Most Ontario municipal governments are in the smaller and mid-size category both in the north and in the southern parts of the province.

Administratively, that capacity changes across the province, as well. Looking at full-time administrative staff, those who have mandatory requirements under different pieces of legislation federally and provincially, 43% of those 444 municipal governments have fewer than six full-time administrative staff. Then we move to 36% that have, on average, about 14 full-time administrative staff. That human capacity is a real matter for municipal governments when it comes to the statutory obligations, whether they're in transfer payment agreements or other legislation.

In terms of the financial capacity of municipal governments, I was trying to figure out how best to present some highlights in a short amount of time, so these are just a few things to think about.

In Ontario, municipal governments receive 9¢ of every household tax dollar. The federal government receives 47¢. The province receives 44¢.

Our research has identified that the annual service and infrastructure investment gap for all of Ontario's 444 municipal governments is about $4.9 billion annually. To put that into context, 1% of the Ontario portion of the HST raises about $2.5 billion. Infrastructure programs, obviously, are really welcomed, particularly when they can help us make a difference in our communities.

I will proceed to talk about phase one. I'm going to focus my comments on the clean water and waste water fund and the public transit fund. I know there is a lot more, but in this short amount of time, here are a couple of observations around the funding process.

Phase one was a really short-term program. It certainly did result, in Ontario at least, in some really interesting and very helpful synergies. We managed to have municipal governments receive an allocation, a formula-based amount. They knew up front the amount of federal-provincial funds they would receive, which meant municipalities, then, could figure out from their asset management information what projects they would see as shovel ready, or close to shovel ready, but yet not funded and able to proceed. From that angle, it was pretty good.

I think, though, the real challenge is in the time. The process just to get the agreement in Ontario took almost five months to achieve. Municipal governments, once that was signed, submitted projects in about six weeks. My understanding is that, in Ontario, there were more than 2,000 projects, which also included first nations projects.

Ontario was responsible for screening those projects. My understanding also is that, federally, there was some parallel work going on in the ministry of infrastructure to screen at the same time.

In the meantime, the review and due diligence for just the Ontario proposals, I'm told, took about four months. Then there was some other added time just to get the funding agreements in place.

● (1535)

At the end of the day, municipal governments that submitted projects in October of 2016 were left watching that distance to the March 2018 program deadline grow a little shorter and shorter, and then somewhere in there, apparently, there was a winter season.

In terms of the process and timing, that meant municipal governments had to figure out the risk. Should they proceed without approvals, particularly for projects that weren't funded in their capital program, and evaluate that risk? If there was a problem they would be left holding that entire risk. Some of that uncertainty and timeliness, or lack thereof, essentially made it difficult for some municipal governments to proceed. Therefore, there was this reporting lag as well.

The Chair: Ms. Vanini, please just close off your comments for now.

Ms. Pat Vanini: In terms of the program design, I think we've also learned a lot around that. For municipal governments, there's a real cash flow challenge. I know every province and federal ministry also has to worry about cash flow, but for municipal governments, it's very real because they can't do deficit budgets. That becomes a real problem.

When you put all those things together, it develops for municipal government a slightly different picture than what one would see federally or provincially.

● (1540)

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

Before I go on to our next presenters, on behalf of our committee, I would just like to express our condolences to Ms. Block for the terrible accident that happened two weeks ago. Condolences from all of us, and best wishes to everybody.

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

The Chair: We go on to the Federation of Municipalities, Mr. Carlton.

Mr. Brock Carlton (Chief Executive Officer, Federation of Canadian Municipalities): Thank you very much.

[*Translation*]

Thank you very much for having us here today.

I am very pleased to be here to discuss progress regarding the Investing in Canada infrastructure plan.

[*English*]

It's important to have this conversation with this committee. We have had a few conversations with this committee over the years around important questions of infrastructure.

FCM represents nearly 2,000 municipalities serving approximately 90% of the Canadian population.

We welcome this initiative of the committee, as we think it's necessary to check in regularly on the progress of infrastructure plans to ensure that the plan is driving the outcomes Canadians deserve.

We believe the investing in Canada plan can transform our country. As you know, municipalities are responsible for 60% of Canada's public infrastructure. They have a track record of turning predictable federal investments into growth and quality of life outcomes. This federal plan helps ensure that municipalities have the long-term predictability they need to move forward.

Through phase one of investing in Canada, municipalities were able to drive rehabilitation, planning, and design work to prepare for the nation-building projects that come in phase two.

For example, during phase one, Surrey, British Columbia, is supporting the design work and the upgrades to sewers, bridges, and utility corridors. That work is generating economic benefits for that community now. It's also laying the foundation for Surrey's phase two light rail transit expansion, which will mean 24,600 person-years of employment and a more livable city to attract talent and investment. The two phases are working hand in hand nicely in some places.

We have been deeply engaged in shaping phase two. We've always known that its success would hinge on federal negotiations with provinces and territories, known as the integrated bilateral agreements. As these negotiations lead to bilateral agreements, what we see is encouraging. We see a deep recognition of local governments' role in nation-building.

I would like to draw the attention of this committee to three features of the bilateral agreements that we find particularly important.

First, there is the commitment to support a fair balance of municipal and provincial projects through funding. That means local projects aren't just “nice to haves”; they're “must haves” for Canada. We have always said that local solutions can solve many of our biggest national challenges. Better transit and roads ease local gridlock, but they also boost Canada's productivity. Scaling up local green infrastructure helps achieve Canada's climate change goals. Ensuring a fair balance between provincial projects and municipal projects is an important feature in phase two and in the bilateral agreements.

Second, these agreements enshrine meaningful cost-sharing to move local projects forward. The key value municipalities bring to the table is not just money, but expertise in delivering solutions that work. That's why FCM recommended a cost-sharing of 40-40-20—40% federal, 40% provincial, and 20% municipal—as the appropriate cost-sharing for phase two. The federal government has now adopted the 40% benchmark, and provinces are committing to 33%. Seeing three-quarters of local project capital costs covered is very significant for the municipalities. This underlines that Canada needs these local projects to move forward, and the municipalities will make the most of every tool available.

The third feature of the integrated agreements is the commitment to ensuring progress in rural and northern communities. FCM has always insisted that a credible nation-building plan must include communities of all sizes. It must recognize the financial and administrative realities of rural and northern communities. Therefore, to move projects forward, Ottawa has now boosted its cost-share to 50% for rural projects and to 60% where populations fall below 5,000. Building on that, the bilateral agreements are looking to streamline rural project administration, easing barriers to better roads, broadband, and waste water treatment.

While these are big commitments, there's more work to do to turn them into real progress and outcomes. All orders of government have learning to do as we go through the experience of closing phase one and into phase two.

In summary, over the past year, FCM took time to reflect on phase one. We had a meeting with the federal and provincial ministers of infrastructure to discuss improvements for phase two. We recommended that fair balance, cost-sharing, and special attention for rural Canada are lessons from phase one that were essential to effective delivery in phase two. We have to give credit to Minister Sohi and his team for listening, for understanding, and for following through in the bilateral negotiations on phase two.

The bottom line is we need to get phase two right. Local governments are fully committed to making that happen. Local governments will be out there delivering real outcomes long before they can file the receipts that show up in federal government spending numbers.

Local governments will be out there moving the big national needles: the economic growth, the productivity, and the emissions reductions. Local government will be building livable, competitive communities that Canada needs to thrive, the kinds of communities that will attract and support the growing businesses, the talented workers, and the innovators we need in this country.

That's the value municipalities bring to nation-building, and that's what drives us as partners for the federal government.

● (1545)

We would like to thank the committee for their attention to this issue, and we look forward to questions later.

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

Mr. Soucy, please go ahead.

[*Translation*]

Mr. Yvon Soucy (Vice-President, Fédération québécoise des municipalités): Good afternoon, Madam Chair, members of the committee, ladies and gentlemen.

First, I'd like to thank the Standing Committee on Transport, Infrastructure and Communities for this invitation.

The Fédération québécoise des municipalités was founded in 1944. It now represents close to 1,000 local municipalities and regional county municipalities, or 7,000 elected representatives.

We constantly defend municipal autonomy, and we work to further regional development. In large part, our federation represents municipalities of fewer than 15,000 inhabitants, as well as rural regions. To give you an idea, Quebec has more than 900 municipalities with fewer than 5,000 residents.

Concerning the update on infrastructure projects and the Investing in Canada Plan, the FQM today wishes to share its expectations and the priorities of Quebec municipalities.

For the small municipalities, the most important part of the first phase of infrastructure investments is the creation of the CWWF, the Clean Water and Wastewater Fund program.

Following the Canada-Quebec agreement concluded last July 5, 2016, the municipalities submitted requests under that program as of September 2, 2016. The program then became very popular. In less than three weeks, the requests submitted by the municipalities were so numerous that we had to stop project submissions.

More than 130 Quebec municipalities had their projects approved. Initially, the intent was that all of these projects be finished by March 31, 2018, at the latest. However, given the slowness of certain administrative processes, several municipalities were not able to begin their bid process before the summer of 2017. Consequently, at our annual general meeting of September 2017, we passed a resolution asking that the completion deadline for work that was eligible for reimbursement be postponed to March 31, 2019. That resolution also followed letters sent by the federal government indicating that it would place a 40% ceiling on the reimbursement of eligible expenses after March 31, 2018. Following these developments, the federal Minister of Infrastructure and Communities postponed the project deadline to March 31, 2019 for 117 projects in Quebec.

It goes without saying that postponing the project deadline for CWWF projects explains why large sums were not been spent during the first phase. Making such large investments over such a short period of time poses major challenges for municipalities of less than 5,000 inhabitants. In addition, the modalities of the program mean that work done internally and work done by regional county municipality engineering services is not eligible. Consequently, the municipalities are obliged to call on external engineers, which is a costly situation for many remote areas and also leads to additional delays.

As to the second phase of infrastructure investment, we are still waiting for the signature of a bilateral agreement between Canada and Quebec. At a meeting of our board of directors last February, a resolution asking that bilateral agreements be finalized as quickly as possible was adopted. That resolution also asks that the new infrastructure programs broaden the scope of eligible expenses so as to meet the needs of municipalities, and not increase the accountability they require from them. However, the content of agreements signed in other provinces over the past weeks have done nothing to calm our fears.

As for the Green Infrastructure Fund, investments of $1.8 billion are planned in Quebec over the next 10 years. Moreover, it has been proposed that 45% of the overall amount be allocated to mitigating the effects of climate change. Consequently, less than 55% of the fund could be used for clean water and wastewater treatment projects.

Although the FQM considers it important to prepare municipalities for climate change, we must point out that Quebec's water infrastructure needs are considerable. By choosing to allocate 45% of Green Infrastructure Fund investments to mitigating climate change, the federal government is making an audacious gesture, but it will not meet the real needs of Quebec municipalities.

The federal government initiatives, like the new 2016 infrastructure plan and the 2017 Investing in Canada Plan, are without a doubt important measures to support municipalities in the achievement of their infrastructure projects.

We hope that the points we have brought to your attention today will allow you to better understand the issues and expectations of the municipal environment.

Once again, I thank you for having invited the FQM to express its views on this topic. Mr. Émond and I will be pleased to answer your questions.

● (1550)

[*English*]

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

Now we go to questions with Mr. Chong for six minutes please.

Hon. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Madam Chair.

[*Translation*]

I thank the witnesses for their testimony, and I have questions for each of them.

First, I'd like to say that we are here because the Parliamentary Budget Officer published two reports criticizing government infrastructure programs.

[*English*]

One of the criticisms is that a quarter of the money has been allowed to lapse in the last several years since the government was appointed in November 2015. The reason this lapsed money is such an issue, even though the government has committed to "re-profiling" the investments for future years, is that they promised something very different. I quote from page 14 of their platform:

> We will make sure that no money intended for investment in communities is allowed to lapse. ... Near the end of the fiscal year, we will automatically transfer any uncommitted federal infrastructure funds to municipalities, through a temporary top-up of the gas tax fund. This will ensure that no committed infrastructure money is allowed to lapse, but is instead always invested in our communities.

Clearly, that hasn't happened. Regardless what you think of whether the lapsed money should be re-profiled rather than automatically transferred into the gas tax fund, the point is that there was a commitment made in the last election. Millions of Canadians voted based on that commitment, and that commitment has not been upheld.

The second criticism that the PBO has given with respect to the government's infrastructure programs is that there are not enough details. This is one of the largest measures of the government: some $180 billion over roughly the next 10 years. The PBO doesn't believe there is sufficient detail from the government as to what the plans are for disbursement of this money. That's why we're here today. That's why the committee is studying this issue. We're interested in hearing your comments on it.

The other thing on which we're interested in hearing your comments is in respect of rural, remote, and northern communities. Pat Vanini mentioned in her opening testimony that there are about 440 municipalities in the province of Ontario.

You mentioned that, for the vast majority of these municipalities, a 43% plurality of these municipalities, there are fewer than six full-time municipal staff, and just over a third of them have fewer than 14 full-time municipal staff. It's a challenge for these municipalities in applying to federal programs for these grants.

I'd be interested in hearing your views on an enhancement to the gas tax, how that plays with respect to these rural and remote communities, and your comments on the money being lapsed and lack of details on what is one of the government's largest spending measures.

● (1555)

Ms. Pat Vanini: There are a couple of things. Let me start with the rural and northern communities. For those communities, I think they're really happy to see some dedicated funding and I would say, like cities, they'd always take more, not less. Roads are their transit systems and there's a lot of mileage. Someone told me the other day there are enough roads in Ontario, road kilometres, to go around the earth eight times. It's a pretty important infrastructure for a lot of our members, so having that dedication is great. Some of the other flexibilities in phase two with the change in the percentages will probably help them.

In terms of the lapsing, I'm not too sure I can give you a lot of information on that. I do not spend every day, every moment, looking at the federal website. I think what would benefit everyone immensely is probably some information around performance. Because we administer the federal gas tax, we have certain requirements of us. We do it freely because we want to support our members.

I also think the difference is in the nature of the program design. The federal program for gas tax that we administer is done on an allocation basis. They know what they will receive every year, and when they will receive it. It allows them to better plan projects. In phase one, they did step up. The fact that we had close to 2,000 projects submitted in six weeks says that they were willing to step up to the plate to try to find their own percentage of the contribution to that, but it wasn't without risk. The administration of the federal gas tax is much more predictable and sustainable, and it is easier to manage your business case. If you ask municipal governments which model they would prefer, I'm pretty sure they'd say the gas tax model.

For phase one in Ontario, we managed to work with the province to get some of those features involved, so they knew, as I said, what they were going to get under phase one. Then they could go figure out what project could, from their readiness perspective...and try to find some money themselves. This did help. It wasn't the easiest but it was better than what I would call the old grant process where you apply and hope for the best.

The Chair: Thank you very much.

We go to Mr. Fraser, for six minutes.

Mr. Sean Fraser (Central Nova, Lib.): I'll direct the majority of my questions to Mr. Carlton with FCM.

You mentioned some of the important impacts that phase two could have on small communities, given the carve-out. I heard repeatedly when talking with the municipalities in my riding.... There are 10, all of which qualify for the small communities fund in the recent bilateral signed with the Province of Nova Scotia, and about half of them qualify for the 60% cost-share.

There were two issues they raised with me that I believe are addressed.

The first is that having a specific carve-out for small communities would be important so you avoid the risk of our nation's largest cities sucking up all of the funds, despite the fact that the biggest cities definitely need very major investments.

The second issue was the inability of small communities in particular to afford their traditional one-third cost-share. Can you give me an idea of the scope of this problem? Particularly I'm interested in the cost-share and whether it was preventing small communities from actually tapping into federal money for federally funded infrastructure projects.

Mr. Brock Carlton: The challenges, as you've identified, of the one-third cost-share did create some limitations on the opportunities for small communities. This is why, as Pat alluded to a few minutes ago and we've said a great many times, our preference has always been an allocation-based formula so that instead of a cost-sharing arrangement, there's an allocation that municipalities can see coming, it's predictable, it's long term. They can accumulate it over time to focus on one particular project. That approach is preferable over the program base where you have application procedures and administrative procedures that are onerous on small communities and the one-third cost-share.

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

● (1600)

Mr. Sean Fraser: Changing gears for a moment, you mentioned a comment in passing about the time at which projects are paid for, from the federal government's perspective. This is an issue that causes a lot of confusion with some people at home, who might see projects going forward, but see in the news that money is not being spent. My understanding is that this is because of the way that the federal government funds projects, which is usually by contributing their share as receipts come in.

Is this the ordinary practice? If so, is there a better way to get projects built faster? I'm less concerned with the time at which the federal government cuts cheques; I'm more concerned about when people are going to work and when communities have new assets.

Mr. Brock Carlton: It is a normal confusion. I mean, you're right: the federal dollars follow the work. What's important is that the agreements get signed and that the ability to commit to projects happens quickly enough so that the work can be done, the jobs can be created, and the economic activity can take place quickly. There's the speed with which they can get agreements, and then commitments to projects are important.

Do you want to add anything?

Ms. Alana Lavoie (Manager, Policy and Research, Federation of Canadian Municipalities): To build on that, the way the system is set up is such that municipalities are putting their own dollars on the line first to make sure the projects can start. They're investing, letting the contracts, and doing the procurement. Then they follow that with the receipts and hope it all goes smoothly and works out.

Again, I don't know that it's as much of a delay to projects getting out the door, as actually seeing the money flowing. I do think municipalities should be recognized for the fact that they are putting their own money out first to make sure that these things happen.

Mr. Sean Fraser: Building on that, if the interest that we share is allowing communities to build more infrastructure as they deem appropriate, is there a bottleneck here that we can help to solve, or is the bottleneck the tax base of a given municipality and having the ability to put that money up first? If there's a bottleneck elsewhere, I'd love to know where it might be.

Mr. Brock Carlton: Obviously one way to avoid the bottleneck is to have an allocation-based approach, but we're not talking about that in this particular case.

With respect to bottlenecks, there are the administrative requirements in this country of federal-provincial agreements, and that takes time. These are complex agreements and complex issues to deal with, so we have to take the time to make sure those agreements are right. Once we get through that, it's about ensuring that the administrative process is sufficient for appropriate governance but not excessively onerous, given the capacity, particularly of smaller communities to develop proposals and that sort of thing.

Mr. Sean Fraser: In a world right now, where some but not all of the bilateral agreements between the federal government and provinces have been signed, and the period we're talking about is a decade, it seems like in getting these agreements off the ground, that bottleneck is being removed, so to speak.

You said it's important that we get it right. What's your take on the bilateral agreements that you've seen? Are these taking the shape that FCM was hoping they would?

Mr. Brock Carlton: We have been encouraged by what we've seen, largely for the three reasons I outlined. We had talked about the need for a clearer cost-share, which the federal government has negotiated with the provinces in the agreements that we've seen so far. We've talked about clearer statements around the expected balance of municipal and provincial projects, which is important. The third one, as I said, is the understanding of the limitations of rural communities.

We are encouraged. As I also said, we're all in this as a learning exercise. As we go through it, we'll learn things that will help things get better as we go forward to improve the next round in this funding.

Mr. Sean Fraser: I believe that's my time.

Thank you very much.

The Chair: We're now on to Madam Sansoucy.

[*Translation*]

Ms. Brigitte Sansoucy (Saint-Hyacinthe—Bagot, NDP): Thank you, Madam Chair.

I thank all of the witnesses for their presence here.

My first question is for the FQM representatives.

I represent a riding where the only town of more than 15,000 inhabitants is Saint-Hyacinthe, as you no doubt know. It's a riding that is very similar to other ridings in Canada. We have major needs regarding cellular infrastructure and access to broadband Internet. It's important for us to reduce the gap between urban centres and the rural environment. The CRTC has in fact declared that the Internet is an essential service.

However, we realized that with regard to Internet services funding, the demands are much greater than the sums that were promised. And yet, the economy in our regions really depends on it.

I'd like you to tell us about the cellular infrastructure and Internet access needs of the municipalities you represent. How are we going to be able to bridge that digital gap with the very small sums that were promised for the next five years?

● (1605)

Mr. Yvon Soucy: There are still many regions in Quebec that are poorly served by cellular networks. I am from the Lower St. Lawrence region. In the Kamouraska RCM, there are still several inland villages where the geographic configuration means that the cell network does not work at this time. The needs are indeed great. I've given you that example, but it's the same thing everywhere in Quebec.

In order to be eligible under the Connect to Innovate program, municipalities had to be located in one of the priority areas. There were some disappointments, because some of our municipalities did not meet the program criteria. The funding is good, but it is not sufficient for all of Canada. The municipalities also had to come to an agreement with a supplier, but the suppliers may have chosen the larger projects. Consequently, the more rural communities were left behind.

However, we are happy to see that among the projects that were announced, 61 are in Quebec. That's good, but the needs are indeed very great.

Ms. Brigitte Sansoucy: Thank you.

My next questions are addressed to the FCM representatives.

Before being an MP, I was a municipal councillor for six years. I saw that the gas tax program funding model was beneficial because it allowed us to plan our work. We knew exactly what amount was going to be allocated. This benefits municipalities like the ones I represent, for instance Saint-Hyacinthe or Acton Vale.

In your statement, you said that infrastructure funding could resemble the gas tax model. Did I understand you correctly?

Mr. Brock Carlton: I said that it would be preferable that the infrastructure program be similar to the gas tax program. The gas tax program model is preferable to those that depend on presenting a request. In a sense, the government prefers to have programs that are based on submitting requests, as the decision then belongs to it, but the fact remains that it's important to reduce the administrative burden as much as possible, especially for small towns.

Ms. Brigitte Sansoucy: Okay, thank you.

A few months ago, the government announced the National Housing Strategy. Unfortunately, we see that a part of the investments for that strategy will only materialize after the next election in 2019.

The 2018 budget was a missed opportunity to invest in that strategy. We know that the national social housing stock is in great need of repair. I can see that that is the case in my riding, and I know that it is the same in many other locations.

I'd like to hear what you have to say about that.

[*English*]

Mr. Brock Carlton: We were very clear in response to the budget that we were very happy to see a national housing strategy.

[*Translation*]

It's such an important milestone for our country to have a housing strategy.

[*English*]

We were very disappointed that the money for social housing repairs would not come sooner in the time frame. As you said, the money is profiled later in the time frame, so for the social housing repairs that are urgent, that are needed now for Canadians who are living on the street or in shelters, those dollars are not available fast enough to do the repairs that are needed right now. That's the disappointment for us in the national housing strategy.

Otherwise, it's a great opportunity for the country to focus on housing and to get the housing right over the longer term.

● (1610)

[*Translation*]

Ms. Brigitte Sansoucy: Thank you.

In the brief time we have left, I'd like to hear about the priorities of the municipalities you represent for the second phase of negotiations that are getting under way.

Mr. Brock Carlton: As I said in my comments, the priorities are the following:

[*English*]

cost-sharing; a fair balance of municipal and provincial projects; and a focus and an understanding of the unique needs and nature of rural communities and their lack of capacity, as compared to the larger cities. Those were the three priorities that we brought from phase one into the discussions around phase two.

The Chair: Thank you very much.

Mr. Badawey.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Madam Chair, and my thanks to all of you for coming out today.

It was my request that brought you here today and there was a strong reason for that. In my former life, you guys became great partners, and now in my current life as a federal member, this is even more true. We need to consistently check in with one another to ensure that better outcomes and returns on investments are made with all three partners—municipal, federal, and provincial.

I want to say, as Mr. Chong outlined, that we are here to deal with the PBO report, and we are looking at ways to do things better in the future. We've seen some challenges in the past, primarily due to project delays, because of costs not being expensed quickly enough to allow us to react in a reasonable time, and because of bilateral agreements that took some time to come to an agreement on. Although we have faced challenges in the past, we want to ensure that the way ahead will prove more helpful to our partners.

I want to take this time to concentrate the discussion by listening to you. We recognize the current leveraged investments that were made—gas tax, infrastructure funding—through the arrangements that we have currently. More important, we will be looking at future recommendations for a sustainable funding envelope that can be accrued over time, accrued through the three levels of government. This ought to include suggesting a disciplined approach to asset management, looking at community improvement planning, and, again, attaching a sustainable funding envelope to community improvement planning and strategies. We must keep in mind that this investment is meant to offset the burden that's otherwise placed on the property taxpayers as well as water or waste-water ratepayers.

With that, I have two questions. One, notwithstanding the past experiences we have all had, moving forward, how do we better assist you in serving your partners, customers, clients—namely, the municipalities and to some extent the private sector and the residents?

In addition, I want to throw this into the discussion. Right now NAFTA is happening, and, of course, CETA, TPP, and others. How do you find yourselves being more of an asset, in a binational sense, in creating more robust binational economic clusters that are—and this is the key part—enhanced by integrated infrastructure investments? How do we all work together in collaboration with our partners on the American side to ensure that our investments are more global in nature and therefore add to a more enhanced and robust market, versus just staying contained within our country?

Mr. Brock Carlton: Oh, that second question is quite something.

On the first part, we, as a country, have taken very good steps in taking time to be very thoughtful about learning from phase one and developing lessons learned and then applying those lessons in the bilateral agreements that are coming out to govern phase two. Time was important to get that right, and what we're seeing in the bilateral agreements that have come out so far is pretty good. We have a decent governing framework to go forward. It will be important to find mechanisms for ongoing reflection and lessons learned and adapting as we go along. That would be one thought in terms of better serving the client, so to speak.

We will be seeing some important lessons around the two distinctions, the two differences, where we have the public transit fund, which is an allocation-based approach, and the other parts of the infrastructure plan, which are application-based. We're going to see, as Pat alluded to earlier and we've all mentioned, the growing differences in the effectiveness of those two mechanisms in delivering infrastructure resources to communities.

There are going to be some obvious lessons learned that will help guide the future, and there will be some other lessons—perhaps not obvious at the moment—that will help guide future thinking along those lines.

● (1615)

Mr. Vance Badawey: What is your preference with respect to the choice of instrument?

Mr. Brock Carlton: There's no question. We've been saying for many, many years that the preference is the allocation-based formula. There's long-term, predictable funding, municipalities see the money coming, they can bank it, they can borrow against it, they can do bigger projects, and there isn't the uncertainty of the application-based process where—as some of our members call it—it's like a lottery: you put in your application, and then you don't know if you win or not. The allocation-based formula is certainly more of interest to us.

On the question of NAFTA, there's certainly a need for the municipalities that work very closely in regional clusters to be able to have a vision that is a bit broader than their individual boundaries, and to be able to apply to or use gas tax money in ways that pool resources to create clustered approaches to infrastructure so that the regional issues are addressed. Particularly, we've talked about this in our conversations with the government about the infrastructure bank and the ability that the infrastructure bank should bring to the table for the clustering of mutual interests around infrastructure funding, so that the big projects that are multi-billion dollar and multi-jurisdictional in nature can be supported. That's part of growing of an integrated local economy, which then strengthens, I think, our ability to work in an international context to attract talent, attract investment, and have Canadian companies investing out where it makes sense.

The Chair: Thank you, Mr. Carlton.

Mr. Hardie.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you, Madam Chair.

Ms. Vanini brought up something that a lot of us were thinking about when this government started to make some fairly major investments in infrastructure funding across the country: the capacity in the smaller communities to actually deal with larger projects. I understand that, I think in budget 2016—I'm guessing here—there was an allocation that was aimed at the FCM to help the smaller municipalities with that capacity issue.

Mr. Carlton, can you give us any idea as to what the take-up has been on that?

Mr. Brock Carlton: Yes, for sure.

Fifty million dollars was allocated to FCM to develop a national program on asset management capacity building. We have been working very closely with associations like our colleagues here at the table, and other provincial and territorial associations across the country, to ensure that there's training and capacity building that is national in its program nature, but is delivered in a way that is relevant to municipalities in their specific regions and relevant to their specific political and program context. The vast majority of the money that has been allocated so far has gone to small communities, communities of fewer than 10,000, some communities of fewer than 5,000. The uptake is very significant, and we will clearly demonstrate both the value of this program and the need for the ongoing work beyond the time frame and beyond the resources that are currently on the table. In our view, it's a very successful program. If the committee is interested, we can provide a more detailed analysis of numbers and dollars put out the door so far.

Mr. Ken Hardie: I appreciate that. Thank you.

There has been some concern about the fact that federal money isn't rolling out the door. We've heard that, in fact, it's pretty common for the federal money to roll out very late in a project. If we start to look at the progression of events, we see that, first of all, the federal government says, “Here's money.” The provinces and the municipalities then start to pull their plans together as to how they could actually use the money. We then have bilateral agreements that need to be signed, and shovels are in the ground. Then, finally, the federal money rolls out.

Do you share the concern that some of our colleagues have had that the federal money, although allocated, isn't rolling out the door as quickly as they'd like to see it?

● (1620)

Mr. Brock Carlton: No, I don't think we do share that. We certainly are paying attention and watching for any lag that may happen, but the bilateral agreements have been negotiated in fairly short order. The minister had said that we would have these done by the end of March-early April, and he has seven of them agreed to now, so it's in a time frame that's quite reasonable, given the complexity of the task in hand. The mechanisms for application and decision-making will roll very quickly, and the money will flow. The main point is that as soon as decisions are made, work happens, jobs get created, economic activity happens, projects get built. We're not overly concerned about the delay in federal dollars getting out the door because we know that there are projects where things are happening. I mentioned the Surrey project as an example.

Mr. Ken Hardie: This is very close to home for me because I'm in Surrey.

The other concern was the fact that the plan seemed to lack details. Here I would like to turn to our counterparts from Quebec on this issue.

It's almost like Goldilocks and the Three Bears, if you know that story: too much detail from the federal government; too directive is a problem; too little can be a problem. In the Quebec context, are we in the Goldilocks spot? Is it just right with respect to the prioritization that takes place between municipalities and the provincial government to come up with the projects that need to be funded?

[*Translation*]

Mr. Yvon Soucy: In Quebec, the small municipalities met the program criteria well. In the case of the CWWF, approximately 50% of the funding was allocated to municipalities of 10,000 residents or less. So we did well.

However, the fact that there were many projects working to a tight deadline created congestion. That is why we asked for an extension, which fortunately was accepted.

Mr. Patrick Émond (Director, Research and Policies, Fédération québécoise des municipalités): With regard to the bilateral agreements to come, it's true that the current content is rather general. We see that the details are set out in the bilateral agreements. There are many rather important details in these agreements, concerning, for instance, the application modalities, the administrative procedures, and eligible expenses. There are a lot more details than people realize in those bilateral agreements.

[*English*]

Mr. Ken Hardie: Thank you very much.

The Chair: We'll go to Mr. Chong.

Hon. Michael Chong: Thank you, Madam Chair.

I'm somewhat confused about something in this series of meetings we had about infrastructure, and there's something I don't quite understand. Maybe the representatives here could provide some perspective on this.

On the one hand, we're hearing from the government and from some stakeholders that the lapsed money isn't a big deal. In fact, we had a witness here at the last committee meeting who said Canada, in his view, is in fact spending too much money on infrastructure. He referenced a McKinsey Global Institute report of last October that said that the gap between infrastructure needs and infrastructure spending in Canada is negative 0.2%. In other words, we're spending an extra $4 billion a year in this country that we don't need to spend on infrastructure.

On the other hand, we're hearing from the PBO, through two reports now, that this lapsed money is a problem, that economic growth projected from infrastructure spending is not as strong as expected. My first-hand experience tells me we're not spending enough money to address the infrastructure deficit. My riding reaches into the greater Toronto area, and I can tell you that the daily activity that most contributes to Canadians' dissatisfaction is commuting.

The Toronto board of trade, for the last number of years in its annual report on prosperity, has highlighted that Toronto has the worst commuting times in the country and the second worst in North America, even worse than Los Angeles. Commuting times in North America, in Toronto, are only surpassed by New York city, which is a truly global city, a centre of truly global commerce.

StatsCan reported on the most recent census data available last November that commuting times have gotten longer not just in Toronto, but in Montreal and other cities in the country.

I don't understand this disconnect. We have had people say there's not a problem with lapsed money. The last witness at this committee from the University of Ottawa indicated that in fact the government is probably spending too much money on infrastructure—federal, provincial, and municipal governments combined. I referenced that McKinsey report that says we're spending an extra $4 billion a year; we don't need to spend it on the ground. With the PBO, with Statistics Canada, we're hearing a different reality. Our economy is suffering because of a lack of infrastructure investment, commuting times are getting longer, and quality of life is going down.

I don't understand this disconnect here. Maybe you could illuminate why that is.

● (1625)

[*Translation*]

Mr. Yvon Soucy: I can answer that.

In Quebec alone, the municipalities will need $9 billion over the next 10 years to meet wastewater needs. As for green infrastructure, we expect the needs to total $1.8 billion.

We explained why there were unused funds in our presentation. The needs are there and these funds are really necessary.

[*English*]

Mr. Brock Carlton: If you take those numbers from Quebec and project them across the country, it's the same story. I think that perhaps the professor from the University of Ottawa, with whom I get a sense that you don't really agree, which is probably a good thing.... One of the comments I would make is that the country has so underinvested in infrastructure for many years that we're catching up, if nothing else. If you look at the graph of infrastructure investments since the 1950s, there is significantly higher investment of infrastructure in the fifties and sixties, as we were tooling up to be truly an OECD and a G7 economy. Then the graph shows a significant drop that's only started to come back up in the last few years, so we're catching up.

In terms of the PBO numbers, we can't comment on the relationship of dollars to GDP activity and infrastructure dollars to GDP. We don't do that kind of stuff. What we can say is that the PBO is an important watchdog and they've highlighted an issue that we need to pay attention to. We're confident that the government will be responding to ensure that all the money gets out the door in an effective way and we'll be working very closely with the government to help them figure that out.

Hon. Michael Chong: Through you, Madam Chair, does Pat have any comments regarding this contradiction that we're hearing in witness testimony?

Ms. Pat Vanini: I didn't hear the testimony, so I'm not too sure that I'm in a position to comment. I guess I would simply say that, based on all the work that we've done, through the polling that we do consistently of the municipal property taxpayers and residents, their number one issue is the quality of their infrastructure. I'm not about to tell them that there's someone else who thinks they're wrong because they travel the roads. I will tell you that the roads I travelled two weeks ago and the roads I travelled just to get to work the other day feel a lot different as a result of the storm—the bridges and the flooding that happened. We've had closed bridges. People are living this day in, day out and I think they would tell you quite readily that there is a huge need. The other two witnesses were absolutely right that we definitely have a huge backlog in Ontario.

It's going to take us a lot of money over a long period of time to make the inroad on even just health, water, and safety things. There are a lot of standards that municipal governments have to meet and they can't close their eyes to it.

The Chair: Thank you very much.

Thank you to all of our witnesses. It was very helpful today to get the testimony on the record and to get some questions answered. We will suspend momentarily, while we change the witnesses at the table.

Thank you.

●

(Pause)

●

● (1635)

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

Before I continue, for the information of committee members, Angelo Iacono's brother died, and that's why he's missing. I asked the staff to send some flowers on behalf of all of us. Thank you.

Let's move on to our next witnesses. Welcome.

From the Canadian Public Works Association we have Andrew Stevenson, the President.

From the Canadian Urban Transit Association we have Jeff Mackey, Coordinator of Public Policy, and Wendy Reuter, Acting President and Chief Executive Officer.

From the Toronto Region Board of Trade we have Jan De Silva, President and Chief Executive Officer.

Mr. Stevenson, would you like to lead off?

Mr. Andrew Stevenson (President, Canadian Public Works Association): My name's Andrew Stevenson. I'm from Saskatchewan, and I echo the comments concerning the Humboldt tragedy. I actually live in Rosthern and knew a couple of the people who were involved.

I'm the manager of ATAP Infrastructure Management. I'm also a volunteer with the Canadian Public Works Association, and its president.

Madam Chair, committee members, fellow witnesses, ladies and gentlemen, I'm pleased to be with you this afternoon to represent the Canadian Public Works Association. Thank you for inviting us to participate in your examination of infrastructure projects and the investing in Canada plan.

By way of background, the CPWA was founded in 1986 as the national voice of the Canadian public works community from coast to coast to coast. Our nearly 2,300 members across Canada, from both public and private sectors, plan and manage roads and bridges, water and waste-water treatment facilities, traffic signals and lighting systems, parks and city buildings, snow removal, sanitation, and mass public transit services, just to name a few. They represent the backbone of Canadian communities that are sustainable, safe, and healthy places to live, work, play, and invest.

Members of the CPWA are often unseen and unheard, but we are ever-present in the lives of virtually every Canadian. When you turn on your kitchen tap and clean water comes out, that's public works. When you approach an intersection and traffic signals are safely operating, that's public works. When snow is plowed in front of your home or business, that is the public works department of your community at work.

CPWA members are also an essential part of first responder teams, in action when emergencies and natural disasters such as floods and fires occur in cities and towns across the country. The public's general perception is that emergency management is activity that occurs immediately after an event. In truth, it involves many agencies and occurs both before and after an incident. Most often, public works has long-term participation in all phases of emergency management. We maintain water supplies, including those for fire suppression; assess damage to buildings and infrastructure; clear, remove, and dispose of debris and other obstacles from public roadways; supply technical expertise and special heavy equipment; restore lifeline services to communities; manage traffic and transportation for first responders, victims, and the public; purchase and obtain supplies; manage and coordinate municipal vehicles, equipment, and manpower; and restore the infrastructure well after the initial event.

We have great interest in all things related to construction and maintenance of public infrastructure across Canada and have welcomed the government's focus on infrastructure investment to provide communities across the country with the tools they need to prosper and innovate.

The CPWA is constantly in dialogue with our members and non-members regarding the present infrastructure funding programs. We can share some of the key themes of those conversations with the committee today.

The goal of the discussion processes is twofold: to gather feedback about the current stock of ongoing processes and to gauge the capacity to undertake new projects going forward, when new funding mechanisms are finalized.

So far, we've talked to municipal representatives with populations ranging from as few as 300 to over 600,000 people. Most members we have talked to have said they have received funding for the rehabilitation, repair, and modernization of existing infrastructure under budget 2016, primarily through the clean water and waste water fund, and we have heard that the process did not present any challenges. Some communicated difficulties obtaining project approvals under the funding program guidelines, engaging qualified consultants and contractors, and/or obtaining competitive bids from consultants and contractors.

Most members we talked to also indicated they had received funding through the investing in Canada plan under budget 2017, primarily through the gas tax fund. These members indicated the process did not present large challenges. A number of smaller municipalities said their municipality's projects had not been prioritized by the province or other funding streams because they fell outside the investing in Canada plan's five key focus areas. A few members from very small communities said they do not have current estimates of their infrastructure funding needs. One small community indicated it is unable to contribute the cost for the municipal project.

• (1640)

CPWA has long highlighted the need for consistent, predictable funding of infrastructure. We know that municipal resources can vary significantly between communities and that smaller and remote communities can face challenges in terms of the capacity to plan for and deliver infrastructure projects and services, particularly when regional levels of funding are uncertain or change from year to year. The expectations of residents for the delivery of services, however, is virtually the same in every community.

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

Perhaps your closing remarks could be somehow shared in your answers to some questions here, so that we can stay on track.

Mr. Andrew Stevenson: Thank you.

The Chair: Ms. Reuter.

Ms. Wendy Reuter (Acting President and Chief Executive Officer, Canadian Urban Transit Association): *Bonjour*. Distinguished members of the committee and Madam Chair, thank you for inviting me here today.

My name is Wendy Reuter. I'm the Acting President and CEO of the Canadian Urban Transit Association, or CUTA. CUTA is the collective voice for urban mobility in Canada. Our members include both small and large transit systems, transit manufacturers, suppliers, operators, and other stakeholders related to the urban mobility industry. In total we have 500 members representing 98% of Canadian transit operations.

Over the last 12 years, CUTA has seen the federal role in transit investment mature greatly. The federal government first came to the table for transit investment through the establishment of a dedicated transit fund in 2005. The trend to invest federally continued through the new building Canada plan, and today we have the current government's comprehensive investing in Canada plan.

Consecutive governments have decided to invest in transit because, as the population has grown and urbanized, Canadians have urged their leaders to address congestion, in terms of both commute times and contribution to the broader community. These unprecedented investments in urban mobility are prudent as they spur environmental, economic, and public health benefits in Canadian communities. The current commitment to transit in the investing in Canada plan equals nearly $28 billion in long-term, dedicated funding from 2016 to 2028. CUTA and our member transit systems strongly support this program, and we firmly believe these historic investments should be conducted in a timely, responsible manner.

That's why I'm very pleased to be able to speak before you today to discuss some of the challenges and opportunities in the transit sector when it comes to deploying the government's infrastructure investments. According to Infrastructure Canada's website, there are already more than 1,100 transit projects funded through the public transit infrastructure fund. I don't have time to list them all, but I'll highlight a few projects that are typical of the program.

Federal investments have ranged from rehabilitating Montreal's iconic subway system, to upgrading the ferry service in Halifax, to helping develop a bus rapid transit system in Saskatoon. They've helped plan new rail projects in Ottawa, Calgary, Toronto, and Edmonton, just to name a few. The funding has also delivered significant benefit for transit in smaller communities. The fund invested in everything from bike racks in Airdrie, to new accessible buses in Whitehorse, to transit shelters in Trois-Rivières.

When it comes to the slower than expected federal spending of infrastructure funds, CUTA has identified three factors related to the public transit infrastructure fund that we believe contribute to the issue. The first contributing factor CUTA has identified involves an issue around perception, mainly a disconnect between what people in Ottawa believe is happening when they look at budget tables and what's actually happening on the ground. The announcement of dedicated, long-term funding in the 2016 federal budget was the impetus for thousands of new transit projects, but it takes time to properly plan, procure, construct, and operationalize these transit projects. This is the nature of our industry.

Environmental assessments, community consultations, urban planning, and other forms of due diligence are all vitally important to the success of transit investments, but it takes time to accomplish them. Though money is leaving federal coffers at a pace slower than expected, the work is still taking place on the ground.

The second factor has to do with how the federal government funds its transit projects. Project proponents receive federal funding only after the work has been completed. The federal government refunds invoices at the rate of the federal project cost-share, usually 40% to 50%. This slows federal funding considerably and stretches the commitment over a longer period of time.

The final factor that CUTA has identified has to do with timelines included in the public transit infrastructure fund. The program was created to span three years, and it funded nearly every transit system in the country. We heard from our members, though, that the need to complete projects before the program expired in 2019 did create a bottleneck in procuring goods for the transit industry. This included buses, transit shelters, and even services like transit planning. CUTA brought our concerns about this deadline to Infrastructure Canada and a one-year extension to the program was ultimately granted, which alleviated much of that pressure.

We appreciate the focus the government has placed on transit infrastructure and look forward to the results of this strategy.

Merci beaucoup. I look forward to answering your questions.

• (1645)

The Chair: Thank you very much.

We go on to Ms. De Silva.

Ms. Jan De Silva (President and Chief Executive Officer, Toronto Region Board of Trade): *Bonjour*. Good afternoon, everyone. Thanks for inviting me here today.

As has been mentioned, I'm President and CEO of the Toronto Region Board of Trade, but I'm also this year's chair of the Canadian Global Cities Council, or CGCC for short. This is a coalition of the chambers of commerce of the eight largest metro regions in Canada. We've come together to focus on issues of international and domestic competitiveness as they pertain to our economies. Collectively, we represent 52% of the country's GDP, more than half of the country's population, and 65% of the country's workforce. Our focus is very much on how we can help our city regions continue to thrive as economic drivers for the national economy.

The challenges in city regions, particularly on infrastructure, can have national consequences. For example, delayed goods shipments in the Toronto-Waterloo region cost $650 million per year in higher prices of goods for consumers nationally.

To address these challenges, we spoke with many of you earlier this year about our latest report calling for a national urban strategy. In that report, we called for a national shift in how Canada supports and finances city region infrastructure. Our vision would lead to three broad policy changes.

First, the federal government could shift its role from due diligence in projects to instead measuring infrastructure outcomes, consistent with the approach used by national infrastructure agencies in several leading OECD countries, and should designate a central agency to inventory existing and required urban infrastructure.

Second, city and city-region leaders should lead the development of long-range priority plans for urban infrastructure. I'd be happy to discuss how that could work in our Q & A time.

Third, federal funding for urban priorities like infrastructure should fund the plan with direct grants rather than funding projects or programs over time. Like Montreal's REM, this would give cities and city-regions more flexibility to substitute federal, agency, pension investments, or other revenues for the municipal share of costs.

To be clear, the CGCC applauds the government's focus on infrastructure renewal, whether it is efforts to increase the federal funding ratio to support projects, support for cities that are facing a housing crisis, or setting up the framework for world-class projects through the Canada infrastructure bank. Progress is being made.

The old funding models are broken. Currently we're in a situation where Ottawa commits money and then wonders why dollars aren't spent more quickly. Everyone reports back that it's because not enough projects are shovel-ready. Our approach recognizes the complexity of urban infrastructure. It would allow cities to apply federal funding to different stages in the process as needed to fix this.

That's why we're proposing a different urban strategy, not to exclude or forget rural infrastructure, but to adopt the funding model to meet the needs of unique urban circumstances across the country.

Our report offers a path forward toward a faster, more targeted, better prioritized, and more financially sustainable infrastructure model. We need to move quickly. The right infrastructure will ensure our cities remain competitive as places to live and work. Without it, we risk falling further behind our peers in Europe and Asia who are investing much more and doing it more quickly to stay in the top global tier of competitive urban economies.

Thank you very much.

● (1650)

The Chair: Thank you very much, Ms. De Silva.

We'll go on to Mr. Chong.

Hon. Michael Chong: Thank you, Madam Chair; and thank you to all our witnesses for their opening testimony.

I want to talk about the issue of lapsed money. Last month, in his report, the PBO said that federal infrastructure spending over the past year created a maximum of 11,000 new jobs and added 0.1% to Canada's GDP, which falls well short of the government's own projections when it estimated what infrastructure would contribute to the economy and job creation. It's also consistent with the fact that a lot of spending has lapsed and the monies that were committed to have not been spent.

The PBO also highlighted his concern that the money that has lapsed and has been re-profiled is going to be eaten away through inflation over the next decade as inflation starts to tick up and central banks start to tighten. That's the context in which we're here.

I read through some of the Toronto Board of Trade reports in recent years. I noted that you concluded in your most recent report, “Toronto as a Global City: Scorecard on Prosperity”, “Finally, underinvestment in infrastructure, particularly in and around the Toronto region, is a chronic problem for Canada.”

Maybe you could speak a little to this committee about the implications of lapsed funding and the need to address ever-increasing commuting times for the millions of people who live in the GTA, ever-increasing frustration for distribution and logistics companies, ever-increasing frustration for SMEs that are looking to locate in the region, and how this is having a real-life impact on our ability to grow the economy and prosperity.

● (1655)

Ms. Jan De Silva: Certainly. I'm happy to address that.

First, as it pertains to lapsed funding, one of the biggest challenges we are seeing is the time it takes for projects to get far enough along the queue to access that funding. An approach such as the one we're proposing, enabling the city regions to have access to the funding at different stages rather than waiting until the later stages, would enable us to get more projects under way.

As it pertains to job creation, we actually did a study looking at Toronto, not at some of the other municipalities. For the infrastructure projects that have been approved in the Toronto region, we mapped out the jobs that would be generated. It's 146,000 jobs over the next 10 years, half in the trades and half in professional services related to these infrastructure projects.

The challenge we have, however, is that there are some barriers in getting students streamed into those opportunities. Those are things we're dealing with at the provincial level.

For instance, our apprenticeship models are quite restrictive. Half the kids who pursue careers in the trades are unable to get apprenticeships, so they're unable to get those positions. We have engineering firms and professional services firms saying they're going into high schools to talk to grade 9 or 10 students about careers in those fields.

From the feedback we've received from our members, some of it is a supply of talent, and some of it is just the timing, sequencing, and flow of funds.

Hon. Michael Chong: One of the things mentioned in your report was that the economy of southern Ontario, in particular the greater Toronto area, the greater Golden Horseshoe, hasn't rebounded with exports as strongly as we expected with the decline in the dollar and the growth in the American economy.

You highlighted that one of the things holding back SMEs is a lack of transportation infrastructure. You've made a comparison in your report to the transportation infrastructure in places such as Switzerland, where SMEs are growing and exporting around the world, and you concluded that it's an underinvestment in this transportation infrastructure that's really holding back growth in the greater Golden Horseshoe.

Ms. Jan De Silva: Yes.

We did a series of reports last year on the movement of goods in the Toronto-Waterloo corridor. As you're aware, the corridor was recently awarded one of the supercluster initiative bids for advanced manufacturing, because we have density of manufacturing and technology happening in that corridor.

For that corridor to succeed as a centre of advanced manufacturing, movement of goods is a critical issue. We've mapped out the flow of freight throughout the region. It's riddled with bottlenecks, because a lot of the infrastructure for moving freight is the network of 400-series highways, built from the 1950s to 1970s, designed for the movement of people and goods. We now have too many goods and too many people trying to use the same channels.

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

The Chair: Thank you very much.

We'll go to Mr. Sikand.

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): Thank you, Madam Chair.

My question is directed to Wendy. I am going to mind my time, as I'm sharing it with my colleague.

As my riding name—Mississauga-Streetsville—suggests, I'm one of the MPs from Mississauga. It is the sixth-largest city in Canada, second in the GTA. According to the 2016 census, we have 721,000 people. Securing funding is of high priority. I was very pleased that we had the announcement of nearly $339 million for public transit.

I believe the Canadian Urban Transit Association projects ridership of transit operating systems and relays these estimates to the government for review. Could you please tell the committee a little bit more about how you perform this research of ridership projection?

Ms. Wendy Reuter: Certainly, I'd be happy to—and Mississauga is also close to my home; I understand how quickly it's grown.

CUTA's been providing data services into the transit industry for decades. It's part of the service that we offer our members. Our members essentially contribute data into the CUTA data program on an annual basis. CUTA helps make the definitions about the information that's gathered and helps them understand what type of information needs to be provided. Essentially, the information is brought back out to the members, and they use this to help understand and benchmark against other systems. It's been an annual process of gathering ridership as well as other operating data for almost as long as CUTA's been around.

● (1700)

Mr. Gagan Sikand: This might be a little obvious, but why is it important to know the ridership projections?

Ms. Wendy Reuter: Certainly, as we think about ridership being tied to funding, it's important from an economic perspective. It's important to understand it from a utility perspective, where it is providing service. Ridership has been used as an indicator of demand for some time. However, it's not the only measure of benefit. It's of benefit to the users, but transit provides many more community benefits, from reducing congestion to reducing greenhouse gases to contributing to public health.

While ridership has been a key measure of utility, it's not the only measure of the success of a transit system in a community.

Mr. Gagan Sikand: Thank you.

The Chair: Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): In that vein, Ms. Reuter, I want to follow that up by saying I think that model, the approach that emphasizes ridership, is tremendously beneficial. Not only do large communities receive funding for transit, but so do medium-sized communities such as London, Ontario. I am one of the three MPs in the House of Commons representing London, which receives very sizable allocations. Just last month, London received its largest-ever funding commitment, and it's for transit—$204 million. The city is buzzing with excitement. There's no specific transit plan that is being funded at this time, because the city has yet to submit its business case for review and analysis, but there is an overwhelming consensus that we need better transit in the city. It is models like this that have allowed our city to receive its largest-ever funding commitment. I came to Ottawa in part to fight for better transit, and this makes it possible.

Under the previous government, Mr. Harper argued under what he called open federalism that the federal government should back away from infrastructure and put it in the hands of provinces. He reformed that view a bit later on, but generally that's the view he was wedded to at the outset.

The federal government is funding infrastructure up to 60% in small communities, and 40% for other projects, including transit. If we were to step back rather than step forward and embrace the idea that we have a real role to play, if municipalities were forced to really rely on the provinces for transit, what would that mean for municipalities? I don't think London's $204 million would have happened.

Ms. Wendy Reuter: That's certainly what we've seen as a result of this funding. There's been a history of federal investment in transit infrastructure for over a decade now. Incrementally, the impact of that has grown in the ability of the transit industry to deliver on those transit investments. This particular plan allows for long-term and predictable infrastructure funding. It allows those communities to think, longer term than they've been able to do before, about how their communities will need to be able to move, not just this year and next year, but 10 years into the future, and about the infrastructure and asset management plans they'll need to make that happen.

These are significantly larger investments that they're able to consider over that time span than they've ever been able to before. It's not just the larger systems. The fact that this funding is flexible and available and accessible to the smaller communities as well allows them to think about how they can facilitate and serve the needs of their communities in meaningful ways.

The Chair: Thank you very much; I'm sorry I have to cut you off.

Madame Sansoucy.

[*Translation*]

Ms. Brigitte Sansoucy: Thank you, Madam Chair.

My first question is for Ms. Reuter, but don't hesitate, Ms. De Silva, if you want to add something.

I understood that many commitments were made during the first phase of the Public Transit Fund but that, unfortunately, the time required to conclude the bilateral negotiations and approve the list of projects led to delays. As you explained well, these were due to the complexity of public transit infrastructure projects, the supply process and the short construction seasons. Consequently, certain projects will unfortunately not be completed by the deadline of March 31, 2019.

You explained the three factors that led to that situation. I'd like to hear what you have to say about the consequences of this. In your opinion, what are the potential solutions we could put forward to have things proceed more smoothly under future agreements?

● (1705)

[*English*]

Ms. Wendy Reuter: I understand the question is about the factors we've identified in that early period and how we can learn from those opportunities about how the funding can be effective in the future.

The first is about the disconnect between what's happening on the ground and how the funds flow and the reporting looking at the budgeting. That's one factor, understanding what the project plans are and that they are taking place on the ground, even though the funding is not being reported yet in Ottawa. That's piece number one; recognition of that is the first matter. The economic impact is already happening on the ground. The municipalities and transit systems are already investing; they're contracting; they're building; and we wait as the paperwork, essentially, comes into Ottawa and is funded.

The second is with respect to the timing of how invoices come into Ottawa and the proportion that they're paid. As invoices come in, they're paid whatever the federal proportion is on that particular project: 40% or 50%, some other variations in other places. This happens on an individual invoicing basis. One thing we could be considering is, when we understand what the total project estimate will be, and the government has understood what their contribution to that would be, we could consider the opportunity for the federal contribution to flow at a higher level in the early stages, to invest in those projects and then continue to cap off at whatever the total contribution would be, the 40% or the 50%.

This would allow a couple of things. It would allow the funds to flow into the project more quickly; it would allow the transit system projects to not have to exactly match up on a timing basis. The municipal and the provincial contributions would decouple that requirement and if there was any variance toward the end of the project, there would be opportunities to reconcile it with the federal contribution.

Ms. Jan De Silva: I agree with the comments about the timing of funding and advancing it. The other piece that I would speak to, particularly in the context of the greater Toronto and Hamilton area, even through to Waterloo, is that increasingly we're working with the cities to say, let's not think of it as a city project, because the reality is that our workforce and our businesses operate across the entire zone.

There is a proposal that we've been advocating across the Toronto-Waterloo corridor to upload all of the municipal transit authorities into a super regional body. It would have the scope and scale of something that could be of interest to the infrastructure bank and potentially to pension funds, and it would enable us to have the funding we need for first- and last-mile technologies to create a seamless user experience throughout. It would also potentially reduce some of the burden on federal funding to get these projects done on an accelerated basis. That's another way that we're trying to tackle it.

The Chair: Madam Sansoucy, your time is up.

Mr. Hardie.

Mr. Ken Hardie: Thank you, Madam Chair.

Andrew, about three years ago, the country was teetering on the brink of a recession. Things weren't going very well. There has been quite a change.

From your standpoint, as we're looking at near full employment, what is the capacity for you to find the people you need to do the work you're doing?

● (1710)

Mr. Andrew Stevenson: I would echo some of the comments previously that stated engineering firms, of which our sister company is one, were looking for people to come out sooner. We've found with not only consultants, but it's been contractors...and I say this tongue in cheek, that it's been lucky that oil took a dip, because a lot of those same people were available to do the projects for infrastructure renewal.

Mr. Ken Hardie: Do you think, then, that there is a need for complementary programs from the federal government or provinces to do the investment in the trades that people were alluding to a bit earlier?

Mr. Andrew Stevenson: It would definitely benefit.

Mr. Ken Hardie: Ms. De Silva, I want to talk about your national urban strategy.

I can certainly see the benefit of having a national urban strategy and the supporting piece from the federal government for funding for infrastructure.

What about the necessity for the appropriate urban planning to take place at the urban level? I'm talking about land use planning, preserving industrial land, making sure that we're not dealing with production plants here and warehouses way over there. At what level are you confident that we have all of those pieces properly aligned to take proper advantage of say, a national investment in infrastructure?

Ms. Jan De Silva: Your point is extremely well taken. It's fundamental that we have some form of regional economic blueprint that anchors that planning process.

We are going to be doing a pilot for CGCC in the Toronto-Waterloo corridor. We're working with several academic institutions and other organizations to look at population growth, economic trends, infrastructure needs for the economy, that type of thing, to give us that kind of plan. That is a critical foundation for any kind of national urban strategy to work.

Mr. Ken Hardie: I think it was Mr. Leipert who brought up the other day that he's concerned that the federal government puts out money and it's up to whomever gets it to use it as they see fit. He was concerned about, I think ashtrays at bus stops or something. No, that was somebody else.

Given that we're short of time, I'm going to pass the rest of my time on to Mr. Badawey.

Mr. Vance Badawey: Thank you, Mr. Hardie. I appreciate that.

We spoke earlier about the partnerships and the obvious infrastructure investments that are made. Your continued contribution to ensuring that those investments yield disciplined asset management is very much appreciated.

I want to dig a bit deeper and am very much interested in looking at the investments that can be made to ensure more robust integrated infrastructure with, as you mentioned Ms. De Silva, transportation and other, in a binational fashion. What can we do together to make that happen in a more expedient manner?

Ms. Jan De Silva: Certainly, with the whole concept or premise of the national urban strategy being anchored by a regional plan, it really helps lift the discussion and the understanding of needs. For instance, rather than debating a single track of transit it's looking across this entire economic zone in terms of the big picture, what's needed, and how we look at different mechanisms to fund it. Is it an REM-type project out of Montreal where you can bring in a Caisse de dépôt? Is it something that needs to be happening much more locally? I think this is very much anchored in a regional economic blueprint. Certainly, my partners in the Canadian Global Cities Council are very interested in moving forward with that kind of benchmarking and approach.

The Chair: You have four minutes, Mr. Badawey, in your round.

Mr. Vance Badawey: I want to expand a bit further. Again, I do want to express my appreciation for your being here. There's no question that your involvement has been very valuable because we just can't do it ourselves. We deal with the private sector, you folks, FCMA, our partners, municipalities.

With that, when we talk about infrastructure we often talk about the obvious: infrastructure investments, the lifting of the burden financially on the property taxpayers, the water and waste-water ratepayers, and of course, ultimately down the road, future generations with respect to having shouldered that infrastructure debt. What contributes more to that is when we get returns on those investments based on economic factors.

You mentioned the port of Oshawa earlier and the challenges that we have there. Also, we see the bottlenecks in Niagara coming over the international border starting right from New York city and the eastern seaboard to Philadelphia, to Baltimore; and the list goes right on to western New York, to the Peace Bridge, into Ontario. Then you come to a halt when you hit the QEW, the 401, the 407, and all the arterials. You have the Welland Canal there, you have the St. Lawrence, and you have the Great Lakes. It's a shared Great Lakes system between the U.S. and the states. It's right down the St. Lawrence and right to Montreal on both sides of the border.

I'd like to hear some ideas with respect to the supply chain. All of you are into that environment. I'd like to hear some ideas from you within the existing supply chain and what we should in fact really be targeting in terms of partnership with the provinces, territories, municipalities, and the private sector, going beyond the obvious and beyond the traditional. Taking into consideration greater returns, what should we be targeting with investments to then enhance that binational, integrated network?

● (1715)

Ms. Jan De Silva: If I could speak to it in the context of the southern Ontario work that we've done, it's also looking at where we have capacity in that geography. We should look at Welland. We're looking actually at Hamilton because the airport, the port, and the rail access there has capacity. We're trying to take a look at whether that could be a staging point for goods coming in across the border.

Mr. Vance Badawey: Can you explain who “we” is?

Ms. Jan De Silva: We, being the Toronto Region Board of Trade, in conjunction with the other chambers, and the Toronto-Waterloo corridor, are looking at that being a potential staging point for goods coming across the border that could be redeployed through various modes to get to the parts they need to across the region, and reciprocally, for goods going down, to use that as a staging point.

Mr. Vance Badawey: If I may, Ms. De Silva, what you're looking at is taking the GTA that was once like this in terms of its size and economic cluster, and now widening the cluster to include the K-W area, the Hamilton area, the Niagara area, and even western New York right down to the eastern seaboard which, by the way, is a pretty robust economy. It's within a one day's drive, and it's over 44% of North America's annual income. With that all said, it's really enhancing the infrastructure vis-à-vis the investments that are made to then therefore enhance a binational, economic cluster.

Ms. Jan De Silva: I agree.

I have a quick point on that. We coordinate all of our research with the same researchers who work with the Great Lakes economic council ,so we have a complete picture, and the pain points are on the Ontario side. It's not so much on the U.S. side; it really is a matter of once the goods get across the border. How do we expedite the deployment to where they need to get to?

Mr. Vance Badawey: That's a great point.

It also leads to another project that this committee is working on with respect to trade corridors. One of the things that Minister Garneau has announced is that the reason for his trade corridor initiative is to get rid of those bottlenecks. We're experiencing that in Canada's largest economic region, which is the GTA, and down into the Niagara area, so those investments are needed.

Thank you.

The Chair: We'll move to Mr. Chong.

Hon. Michael Chong: Thank you to our witnesses for their testimony.

I just want to bring it back to why we're here today. The PBO has issued a number of reports now, critical of the government's infrastructure plan or lack thereof. The PBO is critical of the fact that the government's infrastructure is not producing the economic growth and job creation that was promised. It's critical of the fact that the government has allowed a significant amount of funds to lapse and re-profiled them for years to come.

I want to bring it back to the reality on the ground for the constituents who I represent in southern Ontario and people across the country who are frustrated with an underinvestment in infrastructure in this country. StatsCan tells us that every day in this country 16 million people leave their house to commute—16 million Canadians each and every day—12 million of them living in our city regions. They also reported in their most recent report that commuting times are increasing. They increased 3% in the five-year period for which they were reporting last November, a 3% increase in commuting times. In the Toronto region alone, commuting times are now over one hour only surpassed by those living in New York city, where household incomes are double what they are in the GTA, and people are getting frustrated.

Governments keep talking about making these investments, but the reality on the ground is that commuting is getting longer and longer, traffic is getting worse and worse, and they are not seeing the results. If the average commute time in the Toronto census metropolitan area, as reported by Statistics Canada, is over an hour, you can rest assured that for many people it's well into the hour-and-a-half to two-hour time frame. This is negatively affecting the day-to-day quality of people's lives and it's affecting our ability to grow the economy and to produce the prosperity that we all want. I'm just speaking for those people today. It's the thing I hear most consistently, that people are getting frustrated, stuck in traffic. One truck overturns on the 401 and you have a backup that lasts for an entire day. You have backup for tens of miles going on. It's getting so bad that police forces are resorting to drones to try to figure out where the traffic accidents are, to try to alleviate the blockages. It's not getting better; it's getting worse. We as a committee are trying to figure out where the problems are in the government's infrastructure programs and make recommendations to unglue these programs, so that we can get the funds flowing more quickly and address this real quality of life issue for Canadians.

● (1720)

The Chair: Could we get some short comments back to Mr. Chong's comments?

Ms. Wendy Reuter: Certainly congestion, commute times, are things that are quite relevant in the transit industry. I feel that pain too. I am one of those commuters who goes an hour and a half each day to do the things that I do. That doesn't include coming to Ottawa. That familiarity about what it takes to move around, particularly in the GTHA, is quite close to home for those those of us who are working at CUTA as well.

The opportunity that this fund creates is an unprecedented opportunity for communities that have transit to think about offering transit differently, to invest in infrastructure that will allow those who are moving on to public transit to move fluidly. We see incredible investments in programs like LRTs, which take people out of cars, out of places that are congested, and allow for a free flow of movement. We see investments in heavy rail as well and the opportunities that are growing in trans link with the rail system and the metro links in their heavy rail system. We see investments in bus rapid transit as well—

The Chair: Ms. Reuter, I'm sorry but I have to cut you off. We still have a few minutes for committee business.

Thank you very much to all of you for being here. We will suspend for a moment while our witnesses exit the room and we will go in camera for a brief discussion.

[*Proceedings continue in camera*]