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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1530)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order meeting number 48 of the Standing Committee on Finance.

According to our orders of the day, pursuant to Standing Order 83.1, we are continuing our pre-budget consultations 2014.

I want to thank all of our guests for being here for this first panel discussion.

Colleagues, we have two panels today and also votes, so we'll be a little compressed in our second panel.

We have with us today from the Canadian Airports Council, Mr. Mark Laroche. From the Canadian Electricity Association, we have Mr. Ron Gentle. From the Canadian Home Builders' Association, we have the president, Bard Golightly. From the Federation of Canadian Municipalities we have the president, Mr. Brad Woodside, who is also the Mayor of Fredericton—in Mike Allen's province. From the Large Urban Mayors' Caucus of Ontario we have the chair, Mr. Jeff Lehman, who is the Mayor of the City of Barrie.

Welcome and thank you so much for being with us. You each have five minutes for your opening presentation, and then we'll have questions from all of our members.

We'll start with Mr. Laroche, please.

Mr. Mark Laroche (Director, President and Chief Executive Officer, Ottawa International Airport Authority, Canadian Airports Council): Mr. Chairman and members of the committee, I'm here today as a director representing the Canadian Airports Council, the membership of which includes 45 airport operators. We are a key component of safe and secure travel for more than 90% of the commercial passenger traffic in the country.

In my day job, I am president and CEO of the Ottawa Airport.

[*Translation*]

I am grateful for this opportunity to present our pre-budget submission. In light of the time I have, I am going to focus on the general theme of this submission, which is the impact of government funding provided to airports on our capacity to meet the expectations of passengers, and on our competitiveness.

[*English*]

Some countries are struggling with how to properly fund their aviation infrastructure. We are in a good position in Canada. We are 20 years into a model that has seen a transfer of the cost burden from government to the traveller, who now broadly funds the industry.

Responsibility for security screening remains partly in the government's hands. To fund the screening activity, the government charges air travellers a fee, despite the fact that the aviation industry is truly a national issue and the cost of this security should not be born by a single sector.

The air travellers security charge paid by passengers is designed to fund CATSA, the crown corporation that is charged with security screening. It's our understanding that the fees collected amount to $1.8 billion between 2010 and 2013. These revenues go into the government's general fund and it's somewhat difficult for CAC to confirm what portion of ATSC goes to CATSA, and if it has been receiving its full amount for its mission.

According to the National Airlines Council of Canada, from 2010 to 2013, $136 million in accumulated surplus was not directed to CATSA. In simple terms, it is CAC's view that CATSA has not been properly funded for growth, at the expense of travellers who continue to experience longer delays and wait times.

The CAC would also like to see adequate resources for another critical airport partner, the Canada Border Services Agency. From CBSA, we are seeking increased value for travellers from innovative programs like automated border clearance kiosks. These kiosks have been introduced at our largest airports with millions of dollars invested by airports to improve the passenger experience.

Similarly, around the world, countries are co-operating on trusted traveller programs that allow governments to provide better security with fewer resources by concentrating on travellers who represent the greatest risk. Our government partners mentioned above in Transport Canada need this work to be supported.

Currently, our throughput statistics at peak times for screening and processing passengers are simply not competitive with throughputs being achieved in the U.S. and Europe.

We have other files in our submission. Briefly, a request to review federal infrastructure funding rules that exclude the national airport system airport projects from benefits under the Airports Capital Assistance Program for small airports. NAS airports, the smaller ones, should be eligible to apply for funds in the same way that any other entity could.

We also have a long-standing request to support arrivals duty-free, similar to growing numbers of airports around the world. This would not only enhance passenger convenience but it would also repatriate sales, grow employment, reduce airline operating weights carried, and result in faster turnaround times. Really, there's no downside to this initiative but rather many positive outcomes.

I'll finish by touching on the topic of cost competitiveness. The decision earlier this year by the province of Ontario to raise its fuel tax is symptomatic of a bigger challenge in Canada. When it comes to cost, it gets passed on to air travellers. An in-depth assessment of the negative impact that these numerous taxes and fees have on the higher cost of flying in Canada, compared to flying in the U.S., is badly needed.

Sunwing, a Canadian airline, has announced that it will be flying from Buffalo, a border airport, instead of a Canadian airport, to take Canadians to at least two southern sunshine destinations. If this doesn't set off alarm bells, then what will. It's time to address the high burden of government fees and taxes that are specifically aimed at air travel. Again, at the federal level, we also have airport rent, and we would certainly support efforts to review or revise the current $290 million burden that gets passed on to travellers.

Final thoughts. Aviation is an important enabler of economic activity in Canada. This is an industry that pays for itself and then some. The bottom line is that aviation enables Canada to participate more fully in the global economy. We need to acknowledge the role the industry plays. We need to stop the leakage to airports located south of the border. We need to reduce the amount of taxes and fees layered on air travel, so that we can remain competitive.

We need to have an aviation industry that encourages Canadians to fly from Canadian airports. We need a competitive industry that facilitates growth, and international inbound tourism and travel, which will result in significant economic benefits for Canada and for the government.

● (1535)

Thank you.

[*Translation*]

The Chair: Thank you for your presentation.

[*English*]

We will now go to Mr. Gentle, please

Mr. Ron Gentle (Chief Security Officer, Hydro One Inc., Canadian Electricity Association): Thank you, Mr. Chair, and thank you, committee members for the opportunity to speak with you today about the Canadian Electricity Association's recommendations for Budget 2015, specifically how they will ensure prosperous and secure communities and support and protect critical infrastructure.

I'm the chief security officer for Hydro One. Prior to being at Hydro One I served for 31 years as a member of the Ontario Provincial Police in various roles, my last being the commander of the investigation and support bureau. So I'm very familiar with the challenges in securing our communities and critical infrastructure.

I'll address recommendation 6 in CEA's pre-budget submission. Francis Bradley, CEA's vice-president, policy development, who's joining me here today, will replace me at the mike to address the others.

Electricity, as part of the energy and utilities sector, is one of Canada's 10 critical infrastructure sectors as identified by Public Safety Canada. In recommendation 6 the CEA is proposing two measures to enhance the protection of electricity critical infrastructure.

On the cyber front, CEA is recommending that Budget 2015 increase funding for Public Safety Canada's cyber incident response centre, or CCIRC, a national coordination centre that facilitates information sharing, support, and advice relating to the prevention and mitigation of, preparedness for, response to, and recovery from cyber events. Increasing CCIRC's capacity and capability would enhance its ability to support the protection of critical infrastructure facilities from growing and increasingly complex cyber threats.

The other recommendation relates to the growing problem of copper theft from electricity facilities. Recently thieves broke into a live, fully-energized transformer station to steal copper grounds and components. A flashover occurred and severely damaged the facility. Had any person been on site, serious personal injury could have resulted.

The cost to repair the station as the result of a theft of a few thousand dollars worth of copper is in the tens of millions of dollars. The most common charge for this type of incident is theft under $5,000, basically the market value of the copper components stolen —the same charge as for stealing a bicycle.

The CEA is calling for an amendment to the Criminal Code to create new sentencing options more proportional to the full range of impacts of these crimes. We've circulated copies of a CEA policy paper that was released earlier this year to provide you with additional information on the issue.

Francis.

[*Translation*]

Mr. Francis Bradley (Vice-President, Policy Development, Canadian Electricity Association): Thank you, Ron.

I will now give you an overview of our other recommendations.

First, there must be a sustained and long-term commitment to energy efficiency in Budget 2015. Aside from having a positive effect on household budgets, energy efficiency increases business and industry competitivity, aside from being a profitable way of reducing emissions.

The CEA recommends that Budget 2015 renew the funding of the Office of Energy Efficiency, so that it may continue to exercise leadership in that area.

• (1540)

[*English*]

Recommendation 2 is that Budget 2015 renew funding to continue R and D in areas that support the capabilities of modern grid infrastructure.

NRCan's office of energy research and development, the clean energy fund, and the ecoENERGY innovation initiative have been valuable tools for funding and advancing energy technology innovation, R and D, and demonstration projects in key areas. We would like this important work to continue.

The next recommendation is renewal of funding beyond 2015 for NRCan's climate change adaptation platform. The adaptation platform is a forum for collaboration on climate change adaptation priorities, and it equips decision-makers and key industries with tools and information.

The Chair: You have one minute left.

[*Translation*]

Mr. Francis Bradley: Recommendation 4 is that we must continue support for regulatory alignment with the United States, to enhance the integrated North-American electricity system.

[*English*]

Our final recommendation relates to the integration of electric vehicles. We're calling on the federal government to establish targets for the integration of electric vehicles into the federal vehicle fleet, and to renew funding for Industry Canada’s automotive partnerships Canada program.

[*Translation*]

The CEA recommendations for Budget 2015 are consistent both with the committee's key consultation themes, as well as with the seminal report of our association published earlier this year entitled *Vision 2050: The Future of Canada's Electricity System*. This report sheds light on the urgent need to take the necessary steps if Canada is to maintain a reliable, affordable and sustainable electricity system.

[*English*]

We've circulated copies of the summary of “Vision 2050” for your review, and we look forward to your questions.

Thank you, Mr. Chairman.

The Chair: Thank you for your presentation.

We'll now hear from the Canadian Home Builders' Association.

Mr. Bard Golightly (President, Canadian Home Builders' Association): Thank you, Mr. Chair.

I'm Bard Golightly, chief operating officer of the Christenson Group in Edmonton, Alberta. We're a residential development company. I'm speaking today on behalf of all my colleagues across the country in the Canadian Home Builders' Association.

Canadian Home Builders' represents more than 8,500 member companies from coast to coast in new home building, home renovation, and residential development. Our industry generates more than $120 billion in economic activity each year and supports over 900,000 jobs for Canadians, directly contributing to the economic health of families and communities across the country.

First, I'd like to touch on the importance of federal infrastructure investment in relation to the affordability of new homes. The new Building Canada plan is important to home builders, to our customers, and to the communities of which we are a part. It is particularly important because federal investment in infrastructure acts to reduce the cost being levied on new home buyers through municipal development taxes, which are a major factor in driving up new home prices and the unfortunate part of the new market fundamentals.

CHBA applauds the government's robust investment in core municipal infrastructure: roads, transit, water, and wastewater systems, and encourages ongoing investments focused on these core areas.

Second, prosperous communities require new households, particularly young working families and new Canadians, to be able to enter the housing market and become homeowners. Unfortunately, it is these younger Canadians and families, those hardest hit by the economic downturn, who face increasing challenges when it comes to home ownership.

Young buyers who are at the start of their working lives are the best able to responsibly take on a long-term debt in the form of a housing investment, yet this is the very group most adversely affected by tighter mortgage rules. These rules, coupled with the inherent challenge of saving for a down payment as house prices rise much faster than incomes, mean an increasing number of young working people and families are being locked out of home ownership.

The tightening of mortgage rules was implemented to stabilize the housing market. With that now achieved, CHBA believes that first-time buyers need and deserve special consideration when it comes to mortgage rules. This would support their home ownership dreams and contribute to prosperous communities.

Reflecting this view, CHBA recommends that well-qualified first-time homebuyers should have access to insured 30-year amortized mortgages. Current rules requiring qualification for the five-year mortgage commitment are quite sufficient to safeguard against debt overextension. We estimate that approximately 85,000 households would be added to the pool of potential homebuyers by such a measure, at no additional cost and little additional risk to the federal government.

Related to this issue is the issue of ever-increasing government-imposed costs on housing. While most such costs are linked to other levels of government, the federal government could improve affordability from coast to coast by ensuring that taxes levied by provincial and municipal governments on new homes are GST exempt. Currently, federal GST applies to new home taxes, levies, charges, and fees imposed by other levels of government, amounting to a tax on tax, amplifying the excessive level of taxation on new homes.

Such an action would demonstrate the federal government's commitment to fair taxation of Canadians, and also signal its concern about how rising new home taxes are reducing affordability, particularly for younger people and families seeking to achieve new home ownership.

I'll end with one final recommendation in the key area of home renovation, a $60 billion-a-year industry that's undermined by cash operators who evade taxes.

● (1545)

The Chair: You have one minute left.

Mr. Bard Golightly: Cash operators undermine legitimate business and harm consumers, and reduce government tax revenue.

CHBA therefore recommends a modest targeted home renovation tax credit to tackle the underground cash economy. An ongoing federal tax measure requiring receipts would undermine cash operators, as past federal programs have shown that even modest incentives can dramatically suppress the underground economy. Careful structuring of incentives could ensure that all or most costs would be offset by increased tax revenues. The purpose of this is not stimulus; it would be a modest measure to address the underground economy with minimal fiscal impact. Such a measure could address key socio-economic policy priorities by focusing on first-time buyers, aging-in-place seniors, and/or those undertaking energy efficiency renovations.

Thank you very much.

The Chair: Thank you very much for your presentation.

We'll go to Mr. Woodside, please.

Mr. Brad Woodside (President, Federation of Canadian Municipalities): Thank you very much, Mr. Chairman.

[*Translation*]

Ladies and gentlemen, it is a pleasure to be here today.

[*English*]

It's my pleasure to be here today. I appreciate the opportunity to convey our thoughts on Budget 2015.

The Federation of Canadian Municipalities is the national voice of municipal governments across Canada. We represent the elected leaders of 2,000 municipalities who serve more than 90% of Canadians living in big cities, small urban centres, and rural and remote communities. Our goals are simple. We want to strengthen the services that families rely on; keep our communities safe and vibrant; and build the foundations to a stronger, modern economy.

Our cities, our communities, drive Canada's economy. They are the hubs for environmental and social innovation. Time and again we've shown that when a stable, consistent, and long-term framework is in place, investing in our hometowns creates jobs and improves the quality of life of Canadians. We've seen it in fighting the recession and rebuilding our infrastructure through a permanent and indexed gas tax fund and in major cost-shared investments in roads, bridges, transit, and other core infrastructure.

The 2015 federal budget represents a real opportunity to move beyond one-off agreements and provide a sustainable framework for strengthening Canada's hometowns and moving this country forward.

Investing in local infrastructure provides a clear and measurable return on investment while addressing the biggest gaps hindering our economic competitiveness. According to the Conference Board of Canada, improving our roads, bridges, and water systems generates up to $1.20 in real GDP growth for every dollar invested.

FCM will be providing a submission to the committee focused on partnering on infrastructure, but in my limited time today I want to focus on a very specific infrastructure issue, protecting Canadian water.

New federal wastewater regulations will require upgrades to one in four wastewater treatment systems in Canada. Municipal leaders have supported the goal of protecting Canada's water resources and the improvement to the environment that will result. The costs associated with the implementation of the regulations, however, are beyond the reach of municipalities alone.

Based on FCM cost estimates, future capital expenditures of more than $18 billion will be required over the next 20 years as a result of this federal initiative. There will also be additional costs to municipalities for assessments, planning, and ongoing operations. Simply to give the committee members an idea of the challenge, for example, community residents in Mr. Saxton's riding face over $700 million in the next five years alone to upgrade wastewater treatment plants.

To Mr. Brison and Mr. Keddy as well, Nova Scotia municipalities are going to have to invest $218 million in the next five years. To Mr. Rankin and Mr. Cullen, B.C.'s total costs will be about $1.75 billion over the next five years. In Ms. Boutin-Sweet's home province of Quebec, 30 wastewater treatment plants will need to be replaced in the next five years, for a total estimated cost of $1.13 billion.

Obviously, you can see the severity of the issue.

I recognize that these numbers are significant, but I assure you that municipalities are ready to do their fair share, and the solution we are putting forward is responsible and still feasible in a balanced budget scenario.

FCM is recommending that the budget establish a dedicated fund for wastewater treatment projects required due to the new wastewater regulations, and that all orders of government contribute in a cost-shared plan. This partnership would see new federal investments of $300 million annually, and a commitment of 20 years to assist with the capital costs.

I'd like to spend some time with you as well discussing how we can continue working together to make Canada a welcoming and an affordable place to live. Together we can create vibrant and welcoming communities where people want to live and work, start business, build connections, and contribute.

● (1550)

The Chair: You have one minute left.

Mr. Brad Woodside: Housing that is affordable for newcomers, young families, the middle class, and seniors lays the groundwork for a healthy community and makes good economic sense. The housing sector represents 20% of Canada's GDP. A stable and secure housing system is essential to community and economic growth, and for every dollar invested in housing we earn back $1.40 in GDP.

The federal government currently invests a much needed $2 billion a year in affordable housing and homelessness programs. However, funding agreements are expiring rapidly, while capital repair deficits continue to grow, affecting Canadian families living in 600,000 social housing units.

High home ownership costs and lack of rental housing are also putting the squeeze on Canadian families. Protecting federal investments in social housing and creating incentives to increase rental housing will help keep vulnerable seniors in their homes and out of the health care system. It will make housing more affordable for the one-third of Canadians who rent, and take the pressure off the housing market and household debt.

We are ready to work together to create a healthy and sustainable housing system. Budget 2015 provides a unique opportunity, Mr. Chair, for the Government of Canada to become champions of Canada's hometowns. We look forward to working together to seize this opportunity, and to manage the risks before us.

I want to take this opportunity to thank you for affording me the opportunity to make this presentation—I must say that it's good to see you outside of Edmonton, Chair—and I'm looking forward to the questions.

The Chair: Thank you. It's always good too see you in Edmonton too, the city of champions.

Mr. Brad Woodside: Yes.

The Chair: So far this year, we're undefeated in the NHL.

We'll go to Mr. Lehman, please, mayor of the city of Barrie.

Mr. Jeff Lehman (Chair, Mayor, City of Barrie, Large Urban Mayors' Caucus of Ontario): Good afternoon, Mr. Chairman and members of the committee.

[*Translation*]

I am the mayor of the City of Barrie.

[*English*]

I'm also the chair of the Large Urban Mayors' Caucus, which comprises mayors of the 26 largest cities in Ontario, those with a population of over 100,000. We represent about 67% of Ontario's population.

I want to start today by saying that we're very encouraged by the federal government's focus on ensuring prosperous and secure communities and that investing in our cities is one of the surest ways we can strengthen our country's economy and ensure long-term prosperity.

Specifically, we'd like to speak to you today about the need for growth in job creation to grow and diversify that economy, investment in infrastructure to end gridlock and to adapt to the impacts of severe weather, and real commitment to affordable housing in Canada.

Ontario's big city mayors believe that although all levels of government are working to create jobs and stimulate the economy, too often we're doing this in isolation. We're in need of a diverse and robust jobs strategy, both in Ontario and in Canada as a whole.

As mayors, we're calling on our partners in the provincial and federal governments to work with city leaders to develop a comprehensive jobs strategy. This would include actions to address labour market reform through skills training and apprenticeship programs as well as immigration reform; a coordinated international trade agenda, shared by federal, provincial, and municipal governments; and infrastructure investment that targets the problems that hold our economy back. Specifically, those are gridlock and transportation infrastructure in Ontario's largest cities.

We, as mayors, are united on the need for new investment in both roads and transit, in both our largest urban areas and in our medium-sized cities. Gridlock is costing us jobs; it's costing investment; and it's putting us at an economic disadvantage.

We're very encouraged by the federal government's announcements of infrastructure plans. However, what remains unclear is whether the funding announced represents a drop in federal support for this critical priority, as the allocation of the funding is as yet undetermined.

We're concerned that the purpose of these funds may be diluted by making many more types of infrastructure eligible, such as pipelines. We really encourage the government, in the budget and in subsequent rollouts, to focus on infrastructure investment that has the best return on investment in the economy.

Another growing threat to the security of our cities and their infrastructure is the increasing number of severe weather events. Adapting and hardening our infrastructure to respond to the impacts of climate change is no longer the stuff of long-term planning or disaster movies; these are impacting us today.

The floods in Toronto and Calgary last summer cost each city tens of millions of dollars, not to mention the human costs of destroyed homes and disrupted lives. With damage of over $5 billion, the Calgary flood is Canada's costliest natural disaster ever. The cost to our economy is extensive, and the threat to the safety of our residents is very real.

We need a forward-looking approach that ensures that adaptation to climate change is incorporated into infrastructure planning and decision-making at all levels of government.

While we need to invest in the roads and pipes that keep our cities working, we also need to consider the basic needs of the people who live there. We're finding middle-income families in our cities are priced out of reasonable housing. Worse, lower-income Canadians cannot find housing at all and face long wait times for social housing.

Municipalities need the support of CMHC and associated funding to both maintain the existing stock of affordable housing and to begin to address the backlog and wait lists present across Ontario.

In addition, I would note there are innovative approaches to affordable home ownership that can be explored through federal tax policy and that can support lower-income families, giving them pride of ownership and building equity. But it's only through meaningful investment in capital projects in the affordable housing sector that we can begin to address the crisis overall.

In conclusion, I want to say that the challenges facing Ontario's big cities are the same ones facing Canadians in cities across the country. To move forward, we must put investment in infrastructure at the heart of our national economic strategy.

Our country is changing. When municipalities were formed, one-quarter of the population lived in cities. Today that is reversed; now three-quarters of Canadians call cities home.

My own city delivers 60 different services to people, but we are still governed and funded by a 19th century legislative framework. We simply don't have the tools we need to deal with the challenges we're facing.

I'll give you a specific example in investment. Changes to Canada's tax regime may be effective in stimulating pension fund investment or private investment in infrastructure. This is a major opportunity that the federal government can assist cities with to help reduce the infrastructure deficit.

I'd urge you to consider these investments and innovations in economic policy to ensure prosperous and secure communities for the benefit of all Canadians.

I thank you very much for your time, Mr. Chair.

● (1555)

The Chair: Thank you very much for your presentation.

Colleagues, we will do five-minute rounds, as our time is somewhat compressed.

We'll start with Mr. Cullen, please.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Chair.

Thank you to all our witnesses.

Mr. Lehman, when I saw the name of your group I had a different expectation of who indeed was coming—

A voice: The large mayors.

Mr. Nathan Cullen: That's a bad joke.

Voices: Oh, oh!

Mr. Nathan Cullen: I think you may want to reconsider the naming, but....

Is there a specific ask with respect to adaptation for the cities? You mentioned a couple of the recent impacts on infrastructure due to climate change. I may have missed it in your presentation. Does this group of mayors in Ontario have a specific expectation or ask within this budget request?

Mr. Jeff Lehman: Our strategic direction would be that infrastructure investments, particularly in the area of stormwater protection, be made. This is for everything from flood waves to urban stormwater management. We are also seeing in energy infrastructure the need to harden our energy infrastructure to prevent the kinds of blackouts we saw during the ice storm, following flooding.

Those are two areas where we would like to see a focus in infrastructure investment.

Mr. Nathan Cullen: Thank you for that.

Mr. Woodside, you have a rough estimate on the numbers the FCM is asking for with respect to improvements in waste water. But starting on principles, is it the contention of the Canadian mayors that the federal government has brought in new rules that have cost implications for them but has brought no new money to the table? Am I poorly representing the scenario from the FCM's point of view?

● (1600)

Mr. Brad Woodside: I don't think so, but I would say that the costs that will be incurred by municipalities across the country are much greater than had ever been anticipated, when we start looking at what we have to do to bring it up to standard support—

Mr. Nathan Cullen: That's where you get the $18-billion figure.

Mr. Brad Woodside: Yes.

Mr. Nathan Cullen: So rules without the money are challenging for municipal budgets that are already stretched.

Correct me if I'm wrong, but do most of your cities operate under balanced budget legislation, in that you can't run deficits?

Mr. Brad Woodside: That's correct.

Mr. Nathan Cullen: That's interesting.

So in a rough estimate of the numbers you've presented today, you're expecting the federal government, over that 20-year period, to cover approximately a third of the costs of these improvements that are required?

Mr. Brad Woodside: That's correct, sir.

Mr. Nathan Cullen: Is that a typical funding relationship that you have with the federal government?

Mr. Brad Woodside: It is one that we certainly subscribe to. We don't think any level should be responsible for or should have to take on the burden all to itself.

Mr. Nathan Cullen: So as we're heading into surplus—or maybe we're there already, depending on who you believe—the federal government has all sorts of initiatives that it wants to spend money on, such as income splitting or the like. Why make the argument for funding to go your way when we're already having some transfers from the federal government towards municipalities?

Mr. Brad Woodside: Well, I think the funding going our way is actually going your way as well. What we're here promoting is our hometowns, and these belong to you. They belong to federal members, provincial members, and of course municipalities, but we are right there in the trenches every day, so when we strengthen what we do, it's actually strengthening you as well.

Mr. Nathan Cullen: The one taxpayer rule....

Mr. Golightly, I have a question about some concerns you raised. I'll address them as concerns about the housing market writ large. There's a lot of speculation as to why it is becoming increasingly inaccessible. Certainly, market by market, Vancouver, many cities in Alberta, and Toronto are somewhat different realities than those in other parts of the country.

You expressed some concerns over recently announced policies making it more restrictive, particularly for new homebuyers, to get into the market. Do you find the 10-year requirement too restrictive? Am I synthesizing that properly? I don't want to put words in your mouth.

Mr. Bard Golightly: I'm not sure of your reference about the 10 years, but to try to answer your question, we're seeing the cost of new homes rising exponentially faster than the rate of income, particularly for the new homebuyer, the first-time buyer, and the new Canadian.

Mr. Nathan Cullen: Some would argue that, in the past, rules that were too lenient allowed that housing price to increase so dramatically. Can one make the argument—and I suppose I am making the argument—that perhaps loosening the rules further will only exacerbate the problem?

Mr. Flaherty was one to often comment on this, and in fact phoned banks at one point, suggesting that their rates were too loose and that it was encouraging a housing bubble in the market.

Mr. Bard Golightly: Yes, we're recommending a judicious approach to this, where we're targeting it specifically at the group that needs to get into the market.

They still need to qualify. They still need the five-year rule. We're not talking about reducing their ability to make the debt service. We're talking about increasing their ability to actually get into the market at all. We're watching people being frozen out until at least their early thirties. We're not talking about reducing the entire mortgage rule scheme. We're talking about targeting.

Mr. Nathan Cullen: Targeting.... Okay.

Thank you, Mr. Golightly.

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

Mr. Saxton, please, for you round.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Mr. Chair, and thanks to our witnesses for being here today.

My first questions will be for the Canadian Airports Council.

I've noticed, as a frequent traveller, that security lines in certain Canadian airports are continuing to get longer rather than shorter. I understand that other airports in other jurisdictions, in other countries, handle many more people, much larger volumes, yet do so more efficiently.

How can Canadian airports take best practices and learn from other airports so that the lines can be shortened and that travellers can move on to their flights and destinations more quickly?

Mr. Mark Laroche: Thank you for that question.

Canadian airports are not responsible for passenger screening; CATSA is. So we'd certainly encourage CATSA to look at best practices.

What they are telling us—CATSA is a crown corporation—is that they're not funded for the growth that we're seeing in air passenger travel. What you're in fact seeing is increased delays, and one of our principal requests is that CATSA be funded sufficiently for growth.

Another issue CATSA raises is that they follow regulations that Transport Canada makes. There's kind of an issue there where they say, we would like to do best practices. I know of a Canadian company that has bigger throughputs. He cannot work in Canada. Basically, he can work in Schiphol. He can work in the United States. But he cannot work in Canada, because the regulations will not allow him to screen that way.

So there are different techniques, and we think that is the direction where they have to go. Transport Canada and CATSA have to work together to find those solutions, and we encourage them to do so.

In the meantime, in the short term, the summer lineups are going to get very long next year. CATSA says if they don't get any funds, expect that passengers will be missing planes.

Toronto airport is already asked to fund, out of its own pockets, some increased screening times. This is a very slippery slope, because the passengers are already paying that fee. If you now ask the airports to pay for that above that fee, they're going to be paying twice again.

● (1605)

Mr. Andrew Saxton: Okay, let's move on to your next ask, which is on-arrival duty-free shopping. I've seen it in Asia; it's very successful.

First of all, it's much more convenient for the traveller, because they don't have to cart bottles of liquor around the world with them. They can purchase them on arrival. Also, it gives them a chance to keep their money in the local economy rather than overseas.

However, there are some provinces that are concerned about losing business as a result of this. What is your explanation for that?

Mr. Mark Laroche: We don't believe it's an issue, and if it is, it's very minute. Many provinces have already agreed that they don't see that as an issue.

We are prepared to roll it out as a pilot in the provinces that will take it, and the provinces that won't will come around very quickly.

You're not taking away from going to the provincial liquor store. It's an opportunity. They're already buying their bottle of scotch in Mexico and bringing it over. Why not give them the opportunity to buy in Canada and get the sale?

It's an easy ask. I think it's an easy fix.

Mr. Andrew Saxton: Thank you.

My next question is for the Federation of Canadian Municipalities.

Mr. Woodside, if you ever decide to leave the municipal business, you can always go into radio broadcasting; you certainly have a voice for it. That's a compliment, by the way.

In number two of your ask, partnering on important wastewater system upgrades, you rightfully pointed out that in my community there will be a significant investment required in this regard.

When you say “partnering”, what sort of partnering are you referring to?

Mr. Brad Woodside: We are actually looking at the financial portion of the partnering.

As I stated, it really isn't or shouldn't be up to any one level of government to take on this financial burden. At $18 billion it's just too much.

Municipalities are willing to step up to the plate with a one-third, one-third, one-third split, which we have been doing for quite some time, and it seems to be very acceptable and very successful.

Mr. Andrew Saxton: What role do you see public-private partnerships playing in this funding?

The Chair: Just a very brief answer, please.

Mr. Brad Woodside: Not very much at all.

The Chair: Okay, thank you. Thank you, Mr. Saxon.

We will go to Mr. Brison, five minutes.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much.

Recently in Edmonton we met with Mayor Iveson, who explained to us the massive need to invest in water and wastewater treatment and the climate change imperative. He told us that the total Building Canada fund would only cover about 10% of the national needs to upgrade.

Mayor Lehman or Mayor Woodside, is that consistent with your thinking or your numbers?

Mr. Brad Woodside: It would be a very small portion, for sure. Whether it's 10%, or 12%, or 15%, it would be a very small portion.

Hon. Scott Brison: I met a couple of years ago with the Mayor of Carbonear, Newfoundland, who was pointing out the climate change damage potentially to roads going in and out of Carbonear. This is something going on in Alberta, and in Fredericton, and in Barrie—this is a national issue that we're seeing.

Mayor Lehman, you've said that we need to invest in and prepare our infrastructure for climate change, and that we're placing our communities at risk and setting ourselves up for huge bills if we don't prepare. That's really important. You're saying then that investments now are going to save a lot of money down the road, and that in fact economically it makes a lot of sense to invest before that damage or further threat goes on.

● (1610)

Mr. Jeff Lehman: Yes, without question. The insurance industry has been driving us, as cities, to make these changes, and you know when the insurance people get nervous, it's real.

I think the damage to the economy, though, in terms of critical infrastructure that goes offline—whether that's power infrastructure, transportation, or water—putting the entire economy of Canada's largest city, or Calgary, on hold for a week because of the length of time it takes to respond.... I mean, the economic multipliers of that length of delay and that kind of damage would be extensive.

Hon. Scott Brison: Should we have climate change adaptation as a line item in the budget, recognizing the cost, and that there is going to be an investment we have to make and start preparing as a matter of sound budgeting?

Mr. Jeff Lehman: Yes, absolutely. I don't think there is any question that this is a new cost to all of us. The impacts are unquestionable from what we've seen across the country in the last couple of years, and it behooves us to plan for it.

Hon. Scott Brison: On the housing side, housing is one of FCM's top priorities this year. The need for affordable housing is not only a big city issue, but a small town and rural Canadian issue. Mayor Dave Corkum from Kentville explained this to me recently when we met. For the home builders, do your members see an opportunity to participate in this needed investment to build affordable housing, and to potentially get REITs involved, and some of the other institutional investors, in helping fulfill that need? Do you see an opportunity to create jobs and growth for your members?

Mr. Bard Golightly: I don't think it's a simple answer. It's partly an income question and it's partly a supply question.

With respect to the home-building industry being able to provide the services to construct the product, unquestionably they'd be able to be there to do that in spades. The sustainability, though, of that kind of housing would have to be looked at carefully so that the ongoing residency of that could be maintained.

Hon. Scott Brison: Certainly.

You mentioned energy efficiency. Did the ecoENERGY retrofit program help your members at the time? Did it create jobs from people renovating their homes to make them more energy efficient?

Mr. Bard Golightly: It did. Those kinds of things have a further reach, though, than just assisting our members. What they're really doing is reaching out to Canadians who want to improve their own affordability in their own homes. So while it did generate economic activity, what it did do was make housing more affordable.

Hon. Scott Brison: Should we bring it back? It was cancelled a while back. Would it be the kind of program we ought to renew?

Mr. Bard Golightly: Yes.

The Chair: Thank you.

Thank you, Mr. Brison.

We'll go to Mr. Keddy, please.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome to our witnesses.

I have a couple of questions for Mr. Golightly.

We had introduced, for a period of time, the home renovation tax credit. You mentioned in your comments that you thought it had minimum fiscal cost to the government.

I just want to break down a little bit three points that you made. One was to protect affordability for new residential construction. Second was to tackle the underground economy in home renovation. The third was to support skilled trades development and to advance innovation in housing.

My question is this. Would the former home renovation tax credit not work towards serving all four of those asks? Number one, you would bring your underground economy contractors, of which there is an untold number.... I couldn't guess. I'm going to ask you for a number, so you can come up with it. But however many there are out there, it would force them into the skilled trades, because a lot of them would have unskilled...or maybe good carpenters, but not skilled carpenters working for them, and certainly not journeymen carpenters working. It would also help, on the third point, to advance innovation in housing, because these guys aren't watching what's current; they're not advancing the trade.

I'll stop there to give you time to answer.

● (1615)

Mr. Bard Golightly: I believe you're posing a question on what the value is in the underground economy. We could get that information or do our best estimate on it. I would appreciate the opportunity to provide that for you at a future time.

You raise a very interesting point. The program would touch all of the areas you inventoried. I hadn't thought of it from that perspective, but it would serve triple duty.

I think the other piece that's important is that we landed up previously, and would again, in a situation where we're delivering quality. We strongly believe that the tax revenue to the government.... The potential is there for it to be not revenue neutral, but revenue positive for the government.

Mr. Gerald Keddy: Thank you.

You're making a suggestion that new builds could be GST exempt. My question to you is, what are you asking from your provincial and municipal governments? Is it only going to be an exemption and a tax break from the feds, or are you looking for a tax break from your provincial and municipal governments as well? It can't be simply one level of government paying for it all.

Mr. Bard Golightly: That's a fair point.

What we're saying, sir, is that we're looking at a tax-on-tax situation right now.

Mr. Gerald Keddy: I understand how it works. What are you looking for from the rest of them?

Mr. Bard Golightly: All orders of government have to recognize this so that we're not just simply loading one tax on top of another. I think you're right.

Mr. Gerald Keddy: The other question is for the urban mayors' caucus.

Mr. Lehman, you mentioned in your comments—and I'm not quite sure where this comment is coming from—something about funding for pipelines. There is no national funding program for pipelines; pipelines are totally privately funded.

What did you mean by that?

Mr. Jeff Lehman: It's our understanding that under the Building Canada fund, some of the national infrastructure projects could include energy infrastructure. I stand to be corrected if the government has clarified that.

The Chair: Mr. Keddy, 30 seconds.

Mr. Gerald Keddy: To my knowledge there is no existing pipeline in the country that's been nationally funded, but I could be proven wrong on that.

The final question is for the Canadian Electricity Association and its last priority, that of security. We understand that you have a huge business, operated from coast to coast to coast, that has some tremendous security challenges.

Why is it a federal responsibility?

The Chair: Sorry, there's just a brief time left, but Mr. Bradley, if you want you can respond to that.

Mr. Francis Bradley: Certainly.

Electricity is critical because it underpins the Canadian economy, as evidenced by the 2003 power outage. When your core infrastructure goes down, it has impact in the scale of billions of dollars on the Canadian economy

The Chair: Thank you.

Thank you, Mr. Keddy.

[*Translation*]

Ms. Boutin-Sweet, you have the floor for five minutes.

Ms. Marjolaine Boutin-Sweet (Hochelaga, NDP): Thank you, Mr. Chair.

Gentlemen, thank you for being here today. I am going to speak French.

Congratulations, Mr. Woodside, on your new position. I hope things go well for you.

As official opposition critic for housing, I have travelled a great deal throughout Canada lately to talk to people and find out about their major housing issues in the communities. I heard a lot about the rent people pay for units, and the insufficient number of rental units. I also heard about the general shortage of housing and the increase in homelessness.

For some time now the FCM has been asking the federal government to do something about the housing crisis.

What do you mean by "housing crisis"? Could you tell us more about the main causes of that crisis?

● (1620)

[*English*]

Mr. Brad Woodside: Thank you very much for the question.

For two decades we've seen housing prices skyrocket, while building of rental housing has stagnated and social housing is eroding. The lack of options for all Canadians has put housing affordability at the centre of our economic challenges. At the end of the day, this is a challenge that can be met through predictable long-term housing investments and a partnership between all orders of government.

I think it needs to be said, as well, that a number of the programs are expiring. We are asking that at the very least we stay where are and not go backwards because there is a serious problem now.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: I agree with you perfectly. In fact, I moved a motion on that.

The agreements are about to come to an end. I spoke to many people who live in cooperatives and who are going to be facing that problem. I will give you two examples

In my own riding there is the Odyssée housing cooperative. I spoke with Ms. Carole Parent on this topic. This woman cannot work and she has already reduced all of her expenses. Her housing subsidy is going to end in 2016. At that time her monthly rent is going to increase by $200 from one day to the next.

In Montreal there is also the Cloverdale Village housing cooperative, which is in the borough of Pierrefonds. It is the biggest cooperative in Canada. For the residents of this cooperative, the subsidies will end in one year. That will be when the agreement ends. There are 277 families, that is to say about 1,000 people, who will be affected not only by the end of the agreement, but by the end of the subsidies. They are going to lose their subsidies. On average, their rent is going to increase by $350 a month.

This is the situation throughout the country. Some provinces like Quebec are considering giving these people a helping hand. We cannot very well let them wind up in the street. This is the federal government shovelling problems into the provincial backyard. At a certain point the provinces will no longer be able to cope with the issue and this will wind up on the doorstep of the municipalities.

Will the municipalities be able to deal with problem? If so, how will they do it?

[*English*]

Mr. Brad Woodside: I don't think that municipalities are really capable of handling anything by themselves, just as it is for the federal government or provincial governments. What the Federation of Canadian Municipalities is all about is creating partnerships, softening or lightening up the challenges that we all have, because it all goes right back down to our communities. That would be the best way to answer that question.

You know, going off text a little here now, I feel so strongly on this. I think affordable housing is a human right in this country, in a country so blessed that it doesn't make sense that we have this many people who can't afford a roof over their heads. And for those who are taking so much of their budget for that housing, it's not fair either. Those are my personal observations.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Mr. Lehman, do you have something to add on that?

[*English*]

Mr. Jeff Lehman: Thank you. I'd echo the comments of my colleague from Fredericton.

One of the ironies of a rising economy is that it squeezes people out. What we're seeing in our cities, as mayors, are people who were never struggling with housing costs before who are struggling today. It may seem paradoxical that during a rising economy we actually have a greater problem, but the affordability issue is exacerbated by the current economic condition.

I would quickly add that I believe there are regulatory changes and tax changes that can significantly benefit the program as well. It isn't just a straightforward ask for capital funding. I believe there are more innovative approaches that can expand the supply of affordable housing and, indeed, home ownership in this country.

[*Translation*]

The Chair: Thank you, Mr. Lehman.

Thank you, Ms. Boutin-Sweet.

[*English*]

We'll go to Mr. Allen, please, for your round.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair, and thank you to our witnesses for being here, and a special welcome to Mr. Woodside, a fellow New Brunswicker.

Just for the purposes of Mr. Saxton, if you had a career in radio broadcasting, that would mean that your career had come full circle, wouldn't it?

I'd like to start with you, Mr. Woodside. You talked about the one-third, one-third, and one-third, which has been the traditional funding mechanism we've used for infrastructure, especially in New Brunswick and other municipalities.

With the federal wastewater regulations and other types of things, what is your view on the small municipalities that perhaps don't have the fiscal capacity. I have a number in my riding that are very small. My biggest municipality has a population of less than 6,000, but they're dotted all over the place. They would probably have a significant inability to meet the one-third, one-third, and one-third if they ran into a major issue.

Has there been some discussion about how that might work under the program?

● (1625)

Mr. Brad Woodside: That's a great question and it has come up. As a matter of fact, in other programs that involved the one-third, one-third, one-third, it didn't necessarily mean that some of the smaller communities even had one-third to come to the table. That's always been a concern.

I think we have to pay extra attention to those smaller communities that don't have that ability. There's no doubt about that. The costs are extremely high and, as has been mentioned, we can't run a deficit every year but have to balance our books, which I think is a good thing.

However, it's going to be very taxing on the smaller communities, and I'm very aware of some of the ones you're talking about in New Brunswick. For some of the bigger ones on the coast, it's billions of dollars as a result of what's been going on for so long. So it's about time we cleaned the environment up, and we're all going to have to work together.

I keep saying, Mr. Allen, that it's all about partnership. If we come in here and expect you to do it all, that's not going to happen. We all have to have some skin in the game, if you will, and that's what we're prepared to do. We may have to work together for some of those smaller communities that don't even have the one-third, that can't afford the one-third.

Mr. Mike Allen: Perhaps the federal-provincial-territorial component would have to be something we'd have to think about.

I want to go to the CEA because this is going to link back to this, because there was some discussion about disaster mitigation where CEA was talking about climate change adaptation. The infrastructure funds have been expanded a little bit in terms of their categories, so they can be spent on disaster mitigation as well. When you look at some communities that are impacted, quite often they can take those.

I'd like to know where CEA is coming from on the disaster mitigation idea from an infrastructure standpoint. What are the specific things that the CEA is concerned about? I would see that a lot of the disaster mitigation effort would be undertaken by the municipalities, so where is CEA coming from on that?

Mr. Francis Bradley: That's an excellent question.

In all instances, every emergency event occurs in communities, so our asks specifically with respect to climate change and adaptation at this point in time have to do with the adaptation platform that's under Natural Resources Canada. We are really concerned about our ability, through that platform, to work with all of the stakeholders and be able to work on long-term approaches to adaptation.

The issue we see is that a number of other programs that we mentioned in our brief are sunsetting. In running these activities and funding these programs, the Government of Canada has shown a great deal of leadership in the past. If we are to be able to continue to do so in the future, we believe it has to double down and agree to continue funding these programs when they sunset.

Mr. Mike Allen: Last, to Mr. Lehman, you talked about investment and stimulating private investment in infrastructure. Can you lay out for me just how you see that happening, because Mr. Woodside basically suggested that maybe that wouldn't work in all cases.

Mr. Jeff Lehman: No, it's not appropriate in all cases, but there are certain types of municipal infrastructure and energy infrastructure that are ripe, particularly for pension fund, long-term money investment.

Transfer taxation is a major issue. I believe that with reform to some of the tax regulations, we can actually create vehicles to facilitate that investment. The money is sitting there and wants in. It's very interested in infrastructure investment and sometimes there are those tax or regulatory burdens in the way.

It would take me a lot more than 45 seconds, but I'd love to follow that up with you.

Mr. Mike Allen: If you wouldn't mind submitting something to the committee on that, that would be great.

Mr. Jeff Lehman: Yes.

Mr. Mike Allen: Thank you.

The Chair: You can do it through me or through the clerk. We'll ensure that all members get that.

Thank you, Mr. Allen.

Mr. Rankin, go ahead, please.

Mr. Murray Rankin (Victoria, NDP): Thank you, Chair.

Thank you to all of the witnesses. This has been fascinating.

First of all, to Mr. Laroche from the Canadian Airports Council, I want to ask you sort of a macro question that I think your presentation invited. You talked about the air travellers security charge going to CATSA, in the amount of $1 billion over three or four years. You talked about Ontario raising fuel taxes.

I live in a community near the American border, and the bottom line is we're losing many people to the United States when they go to Bellingham. My family lives in St. Catharines and everybody uses the airport in Buffalo and Niagara for the simple reason that we've priced ourselves out of the market.

Do you have any suggestions for this government in this budget as to how we can address this drain of resources to south of the border?

● (1630)

Mr. Mark Laroche: First of all, we have to stop increasing these components we have on the price of aviation. They are having a very detrimental effect.

The second thing is that the Canada Transportation Act presents an opportunity to review all these taxes and charges that we've put on, and we have to look at other ways of financing. For example, airport rent is a cost that's transferred to the passenger. We are paying basically 10% on all the revenue we raise. Even if we collect air improvement fees—for expansion, for example—we're paying 10% of the amount we collect to the government. The government is not paying for the renovations or the expansion of our airports. If it were, then it would be normal for our rent to increase. So if we're paying for those expansions, we shouldn't have to pay for them again.

Mr. Murray Rankin: Thank you. That's helpful.

To Mr. Golightly of the Canadian Home Builders' Association—and this is building on Mr. Keddy's question, I hope—I was intrigued by your recommendation, actually, about the $60 billion home renovation industry and how, if there were just a small tax credit for home renovation, we might be able to capture some of the money that's now going to those you termed “cash operators”, who are evading taxes. I thought that was an excellent suggestion.

Have you put any numbers to this? Have you had a chance to examine what your specific recommendation might be, therefore?

Mr. Bard Golightly: I don't have those kinds of values with me today, but we can certainly put our heads down and come back with specifics on that.

Mr. Murray Rankin: I think it's an excellent idea, and I would encourage you to do so.

My next question is to Mr. Woodside of the FCM or to Jeff Lehman of the Large Urban Mayors' Caucus of Ontario.

I was intrigued by how often the words “climate change” came up in your presentations. I was intrigued by “mitigation” and “adaptation”.

Do you think the government should be dealing with its share of the causes of climate change? Is that something you think would logically follow, and has either of you, as a mayor or within FCM, taken a resolution on the issue of what Canada should be doing?

Mr. Brad Woodside: Climate change wasn't in my presentation, but it's something I'm certainly prepared to talk about. It's something that is very important to all Canadians, and we all have a piece to participate in.

There are so many examples across the country. Jeff was talking about Calgary.

I can bring it right into New Brunswick. Just a short while ago we were without any power for six days.

We are seeing things in this country that we've never seen before, and I think it's not just a matter of dealing with it today, but we also have to take preventative measures to bring down CO_2 levels, for example, that are causing the greenhouse gases.

We all have a role to play. We do it in Fredericton, where we have the eighth-freshest air in the world, yet I've challenged my community to do more for the environment.

Mr. Murray Rankin: But with respect, your submission does refer to climate change. You say that the TD Bank Group estimates that extreme weather events alone will cost Canadians $5 billion a year by 2020. You talked about working with municipalities to establish critical disaster mitigation strategies, which you've linked to weather and climate change matters.

According to a report yesterday by independent auditors, the federal government won't even reach its own targets for emissions, and it hasn't brought the oil and gas industry together to talk about emissions. Surely we should be dealing with causes, not just effects.

Would you not agree?

The Chair: Could we have just a brief response, please?

Mr. Brad Woodside: Look, there is plenty of blame to go around when it comes to the planet and what we're doing and what we're not doing, and we all have to share in that responsibility, and Canada has to do its part just as any other country does.

The Chair: Thank you.

There are 10 seconds left, Mr. Lehman, if you want to add something in 10 seconds.

Mr. Jeff Lehman: I would simply say that, as mayors, we're the ones who have to cope with the reality of the impacts of the severe weather. We now need a national strategy to do this.

The Chair: Thank you.

Thank you, Mr. Rankin.

Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you all for coming.

Mr. Rankin is sucking me in and I'm taking the bait.

Voices: Oh, oh!

Mr. Dave Van Kesteren: This is an interesting topic of discussion. We contribute to 2% of the carbon dioxide emissions. We could have a long debate, which I really don't want to get into, on whether or not we've done our share of the reduction of that. The point of the matter is that ultimately the effect is negligible.

I'm going to fire it right back to you: what are you doing as municipalities to combat the effect? It's easy to say that the government needs to make all these changes. I should point out as well that it was only because we had a budget that was being balanced that we were able to handle what happened in Calgary.

Incidentally, I checked the web, and even coming right from CBC, they explained the situation in Calgary. Things were melting on the mountain, we had a little bit of rain, we had a couple of systems that blocked, the stars lined up the wrong way, and we had this horrendous flood.

Those things have always happened, and those things will continue to happen. But if you're convinced that we need a contingency plan from the federal government, what are the municipalities doing to augment it?

● (1635)

Mr. Brad Woodside: I can certainly tell you what we're doing in my municipality. We've reached every level of conservation, according to the Federation of Canadian Municipalities' goals and objectives, one of probably only five communities in the country that have done so. We have certainly reduced our footprint. We're not an industrial kind of place, yet five years ago I challenged the community to do better and to do our share. They really accepted that.

So that's what we're doing.

Mr. Dave Van Kesteren: Great, but that's not really what I'm talking about.

I'm going to lead Mr. Lehman in another direction, if I could. Again, the Building Canada fund is a $55-billion plan. It's the first time, at least to my knowledge, the federal government has embarked in the future to assist municipalities.

The reason this is possible is that this government has made it a priority to get our house in order. We can only do it because we have the money. There's only one taxpayer, be it the municipality, be it the province, or be it the federal government. The federal government has embarked on something that enables you, as a municipality, to do some of those things that you were talking about.

What's your responsibility, as a municipality, to match those funds? I'm just asking the question. It's a loaded question, but I want you to answer that, Mr. Lehman.

Mr. Jeff Lehman: Sure.

In my opinion, the one-third, one-third, one-third model is the right way to go. I believe it is our responsibility, at all three levels of government, to address those kinds of challenges.

I would praise the federal government for balancing the budget. I think that's hugely important. I think it now allows investments to be made that can address the big challenges facing the country. I do happen to think this is one of them.

As municipalities, my quick example—because you asked about effects—is that we just built a couple of bridges over our Lakeshore Drive that are oversized, because the stormwater flows, according to our conservation authority, have pretty dramatically increased. Basically, the modelling said that you have to build them 30% bigger than you used to. There was a $6-million price tag associated with that.

That's the kind of effect it's already having on our capital budget.

The Chair: You have about 30 seconds, Mr. Van Kesteren.

Mr. Dave Van Kesteren: That's the unfortunate thing about this place, we're so pressed for time.

I recognize that, and I applaud you for the efforts you're making. But are you focusing enough on the municipal side as well of getting your house in order? That's the point I wanted to make. The only way that we can pay a third, and the only way that the province.... New Brunswick is a perfect example of that.

When municipalities get together, do you talk about those important things, about balancing your own budget too, so that you can come to the table with a third, as the federal government has, and I hope as the provincial government has?

Mr. Brad Woodside: The answer to that is absolutely yes.

Mr. Jeff Lehman: We've never run a deficit.

The Chair: Thank you.

Thank you, Mr. Van Kesteren.

We'll go to Mr. Adler please.

Mr. Mark Adler (York Centre, CPC): Thank you very much, Mr. Chair.

I appreciate your all being here this afternoon. It's a very interesting discussion. However, in my very limited time I'll focus initially on Mr. Golightly.

After I first got elected in 2011 a fellow came to me wondering why he couldn't take advantage of the home renovation tax credit. He pulled out a piece of paper and said there were the renovations he did on his home, and here was a piece of paper to show that he paid for them. It was just an eight-and-a-half by 11 piece of paper, with the numbers $500, $5,000, $2,000, $3,000 on it, and at the bottom the wording that the contractor had received his payment in cash. He was curious why he wasn't eligible to take advantage of the housing tax credit.

How much of a problem is the underground economy? I hear from people all the time who tell me that they've got tradespeople coming into their home to renovate their kitchen, to build an addition to their home, and who legitimately only want the job if they are going to be paid in cash. How much of a problem is that in the home building industry?

● (1640)

Mr. Bard Golightly: It's a good question. As I indicated earlier, I think we could further study that question. If you want a quick opinion, I would suggest that at least half the renovation business currently in Canada is being done on a cash basis. That has serious ramifications in terms of safety, quality, taxation, all those things.

Mr. Mark Adler: It's much more than a taxation or revenue issue.

Mr. Bard Golightly: No question.

Mr. Mark Adler: It's quality of workmanship and materials, and some of the things that go into homes are health related. If they're getting knock-off goods, there's no quality control whatsoever. What can we do as a government, as home builders in partnership, to make sure we can ultimately get that 50% down to 0% to make sure that everybody complies, all trades comply, with the law?

Mr. Bard Golightly: Unquestionably we as home builders and renovators would love to see it down to 0%, as you said. Remember that when we talk about the ramifications of this, potentially the cash economy is not even pulling permits for this. So touching on your comment earlier about safety and quality, there are checks and balances in the system, were the system to be followed.

With respect to our recommendations here today, what we're suggesting as a first step at least is to target it to new homebuyers, maybe new Canadians, aging-in-place seniors, to specific people who are specifically and unintentionally pressed as it stands right now. I think that would be a step in the right direction, and then evaluation can be made to see how that affects inbound tax, outbound tax, and what it does to government revenue. I'm convinced that government revenue will go up, and that the quality and the safety of the work will also improve.

Mr. Mark Adler: I suspect you're right on that.

The Chair: You have one minute.

Mr. Mark Adler: Let me also ask you about the trades themselves. Are home builders finding it difficult to attract the people with the right qualifications to work in the trades in order to build? There's a huge demand out there and there's not enough supply to satisfy all that demand in markets like Vancouver, Toronto, Calgary. That's why we're seeing home prices the way they are. Is there a trade shortage and how do we fix that? And don't tell me it is temporary foreign workers.

Mr. Bard Golightly: There is a trade shortage and the disappointing part about that is it's difficult for trades to move back and forth across the country into different provincial jurisdictions and have those trades recognized. We need to go past the Red Seal program and have many of the other trades recognized as bona fide and therefore able to work in different parts of the country. I'm not talking about the temporary foreign workers at all. Does that answer your question?

Mr. Mark Adler: It's satisfactory for now. Yes.

Thank you.

The Chair: Thank you.

On behalf of all the committee members, I want to thank our guests in our first panel for being here. Thank you so much for your presentations and for responding to our questions.

Colleagues, I will take a break in a couple of minutes. I just want to get someone to move the motion for the budget.

● (1645)

Mr. Nathan Cullen: I'll move it, Mr. Chair.

The Chair: It's been moved by Mr. Cullen.

(Motion agreed to)

The Chair: Thank you so much for that.

We'll suspend for about five or 10 minutes.

Thank you.

● (1645)

(Pause)

● (1650)

The Chair: I call this meeting back to order and I want to thank our witnesses for appearing early. The reason for that is that we do have votes at 6 p.m., so this is going to be a condensed panel, and I want to give our guests as much time as possible to present and hear from members of Parliament.

We have five organizations presenting in this second panel here. From the Canadian Council for Public-Private Partnerships, we have the president and CEO, Mr. Mark Romoff. We have the Canadian Life and Health Insurance Association Inc., Mr. Frank Swedlove. We have from KPMG, partner Stephen Beatty. From Union des municipalités du Québec, we have

[*Translation*]

Mr. Robert Coulombe. Welcome.

[*English*]

From the Wellesley Institute we have director, Mr. Michael Shapcott.

Welcome to all of you and thank you so much for being with us here this afternoon. You will each have five minutes for your opening statement and then we will go to questions from members.

We will start with Mr. Romoff if you are ready please.

Mr. Mark Romoff (President and Chief Executive Officer, Canadian Council for Public-Private Partnerships): Thank you, Mr. Chair. This is what we call in Canada “just-in-time delivery”. I apologize. It has been one of those days.

Good afternoon, and thank you all for inviting me to come to speak to you today. I'd like to speak a little bit about Canada's public-private partnerships, or P3, experience, the role of the Canadian Council for Public-Private Partnerships and the opportunities we see to expand and strengthen the effectiveness of P3s across Canada, and to take advantage of Canada's experience and expertise and take it global.

Today, all countries around the world are facing large infrastructure deficits at a time of serious financial constraint. In fact, in a recent study the McKinsey Global Institute estimated the global infrastructure deficit at U.S. $57 trillion, and this is likely an understated estimate. Canada too, as you know, is confronting a huge infrastructure deficit across all levels of government.

At the same time, sound modern infrastructure is key to Canada's productivity and economic growth and ultimately central to a more prosperous and globally competitive Canada. This reality has placed a premium on innovative approaches to infrastructure development and this has led to public-private partnerships, or P3s as we call them, moving increasingly to centre stage in Canada. In fact, Canada enjoys one of the most active P3 markets in the world with 219 projects in procurement, under construction or in operation, with a value of over $68 billion.

I've included a chart in my notes from which you'll see that these projects are active right across Canada in a broad range of sectors. This large and diverse portfolio of projects has also enabled our domestic industry to develop the experience and expertise that is now positioning itself as a recognized and respected global player. The timing is excellent as international P3 markets, notably in the United States, are now taking off.

What are public-private partnerships? Simply put, P3s are partnerships between governments and the private sector to build public infrastructure, like roads, bridges. hospitals, schools, or to deliver services. P3s can be structured in different ways, allocating varying degrees of responsibility for design, construction, financing, maintenance, and sometimes operations to the private sector while always remaining in public ownership and control

Experience has shown that P3 projects are delivered on time, on budget, and at less cost, and are better maintained than those projects procured using the conventional design-bid-build approach. This translates into greater value for money for Canadian taxpayers. With our large portfolio of projects and our track record of success, Canada is today seen as a global leader in P3s with a model that is recognized internationally as best in class, and other countries looking to establish P3 programs regularly come to Canada to study our approach.

Why is this? There are several reasons: We have learned from experience in other jurisdictions—particularly the U.K. and Australia, where this model was initiated—and adopted their best practices that have clearly strengthened the Canadian approach.

Canada does P3s for the right reason. Value for money is the key factor in determining whether P3 is the best procurement option. P3s are not a panacea, but when they demonstrate best value for money, they consistently deliver high-quality outcomes.

Canada also has strong public sector institutions in British Columbia, Alberta, Saskatchewan, Ontario, Quebec and New Brunswick, and federally with PPP Canada, all with dedicated P3 expertise and robust procurement practices that lead to efficient, open, and competitive bidding. No other country has this governance structure in place.

The Chair: You have one minute left.

Mr.Mark Romoff: Most important, however, our P3 projects are achieving results. I've already mentioned some typical measures. P3 projects are coming in on time. They're on budget and at less cost, but Canadian projects are delivering economically as well.

● (1655)

We did an assessment of the last 10 years of P3s and found the following results. These projects have created more than 290,000 jobs. They've contributed more than $25 billion to the Canadian GDP, and they've led to $7.5 billion in tax revenues for the federal and provincial governments, and produced $9.9 billion in savings over traditional procurement.

A number of issues are important I think for this committee to consider with respect to the 2014 budget. There are five I have listed here. One is municipal and aboriginal capacity-building. These two communities across Canada are the generation of next projects and they have capacity issues. The model is also complicated for small projects. We need to look at developing a P3 light model. I mentioned Canadian expertise, and I think the opportunity is excellent now to go global with our capability, and we're working with government on that. We're very focused on the next generation of talent, including women and infrastructure, young leaders and infrastructure, and students across the country to ensure they can come out of those institutions ready to go.

Finally, Mr. Chair, I would mention that it's important for the Government of Canada to address the P3 funding disincentive, which is a product of the different allocation of funding depending on whether you make application through the new Building Canada fund or the P3 Canada fund, because one provides funding up to 33%, and the other only 25% so it disadvantages P3s.

I'll finish by saying that we commend the Government of Canada for the long-term infrastructure plan, which is a huge move in the right direction. The new Building Canada fund and the replenishing of the P3 Canada fund are outstanding initiatives. We continue to find the government a great partner for us.

● (1700)

The Chair: Thank you so much.

Mr. Mark Romoff: Thank you, Mr. Chair, for your patience.

The Chair: I appreciate that very much. Thank you so much.

We will move on to Mr. Swedlove please.

[*Translation*]

Mr. Frank Swedlove (President, Canadian Life and Health Insurance Association Inc.): Mr. Chair, members of the committee, I am very pleased to have the opportunity to be here today on behalf of the Canadian Life and Health insurance Association to participate in the pre-budget consultations.

The CLHIA is a voluntary association whose member companies account for 99 % of Canada's life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities and supplementary health insurance to almost 27 million Canadians and manages about two-thirds of all Canadian pension plans. The industry has over 1.2 trillion dollars in assets invested globally, with roughly $615 billion invested in Canada.

My remarks today will focus on the importance of supporting infrastructure investment in Canada and will highlight measures that we believe the federal government can take to increase the supply and attractiveness of infrastructure assets for large institutional investors like Canada's life and health insurers.

[*English*]

This is one of three topics, Mr. Chairman, included in our pre-budget submission. The second was to establish a tax credit of 15% for long-term care insurance. This will provide a clear message to Canadians that they need to take responsibility for their long-term care, as this is not covered under the Canada Health Act.

The third item was to seek elimination of capital taxes on insurance companies. We are the only G20 country that has such a tax and it is inconsistent with encouraging insurance companies to build up their capital. I will not make any further comments on these two items, but if there are any questions during the Q & A period on these matters, I would be pleased to respond to them.

Getting back to infrastructure, Canada's life and health insurers are one of Canada's largest and most stable investors in long-term assets, including infrastructure. Our strong appetite for such assets is driven by the fundamental nature of our business. Life insurance and pension products often result in several decades—up to 50 years or so in some cases—of the insurer receiving premiums prior to paying related claims. As well, a number of life insurance products have investment returns as a core component of their design and are used by Canadians as an efficient way to save for retirement or other needs.

Insurers must invest the premiums they collect from policyholders to pay claims and benefits on their policies, and to cover their operating and capital costs. To the greatest extent possible, insurers seek to match the term of their liability with their assets. The importance of a robust and well diversified long-term investment market in Canada for life and health insurers cannot be overstated.

In 2012 Canada's life and health insurers held almost $540 billion, or roughly 90% of our total domestic assets, for the long term. These investments often support longer-term capital investments, including infrastructure investments, which are critical to creating economic growth.

Canada's life and health insurers also invest directly in infrastructure assets. Currently, the industry holds roughly $6 billion in infrastructure assets. This only represents about 1% of our total investments, and we have a strong desire to do more.

Estimates suggest that Canada currently has somewhere between a $350 billion and $400 billion infrastructure deficit. This infrastructure deficit will need to be addressed if Canada is to realize its full growth potential in the coming decades. The importance of encouraging investment in infrastructure and other long-term investments has also been recognized internationally by the G20. For example, at the G20's most recent meeting of finance ministers, they agreed to create the global infrastructure initiative to increase quality investment, particularly infrastructure. We are very supportive of this international initiative and Canada's role in it.

Closer to home, we believe there are a number of areas where the federal government could play an important leadership role in helping to close the infrastructure deficit. At the most basic level, governments in Canada need to ensure that infrastructure projects are brought to market in a timely and predictable manner. Undue delays and uncertainty around decisions regarding whether a project will proceed hinder the private sector's ability to play a strong partnership role in helping to finance infrastructure projects.

● (1705)

[*Translation*]

One important way that the private sector helps finance infrastructure is through public-private partnerships or P3s. P3s are an attractive funding mechanism for long-term infrastructure projects such as hospitals, airports, roads, bridges and government facilities.

They have been shown to deliver projects on time and within budgets. In addition, P3s are an attractive funding option for governments because they limit the upfront investment required by governments to build public infrastructure. That is another advantage P3s offer governments.

The Canadian government has played a very helpful and proactive role in promoting and incenting P3s across Canada through the creation and funding of P3 Canada. We applaud the government for this, but believe more can be done.

[*English*]

In particular, we note that the majority of the infrastructure need in Canada is at the municipal level, as Mr. Romoff has noted. These projects tend to be relatively small. The current P3 model in Canada is not well suited to smaller projects like these. Some of the challenges relate to the complexity—

The Chair: Could I ask you to conclude, please?

Mr. Frank Swedlove: —and lack of standardization in the P3 project documentation.

The lack of standardization and documentation limits the attractiveness of smaller P3 projects for potential investors, as the size of the potential deal may not be adequate to compensate for up-front costs. The complexity of structuring smaller P3 deals is also a barrier of potential insurers who may not have the requisite expertise to navigate through the P3 process.

As a result, we believe Canada should embark on a program to harmonize P3 documentation. We recommend that P3 Canada take the lead by developing standardized P3 documentation for P3 projects under $50 million.

Another initiative to help increase the potential fit for P3s for smaller deals—

The Chair: Mr. Swedlove, but I'm sorry, we are way over time here. I have to move on.

Could I ask you to conclude, please?

Mr. Frank Swedlove: Okay, can I complete it?

I'm sorry—

The Chair: I think you'll want to hear from the members' questions.

My recommendation is that you conclude your presentation and we'll move on.

Mr. Frank Swedlove: Can I complete just what the recommendations are then?

If I can't, then I'll do that.

The Chair: Okay, thank you.

We'll go to Mr. Beatty, please.

Mr. Stephen Beatty (Partner, KPMG): Thank you.

We, in this generation, have been the beneficiaries of the foresight in investment of our parents and grandparents, and I truly hope that as we move forward we are able to give that to our children and grandchildren as well. This is a real challenge in today's environment. Our perspectives have shortened, and we are working very closely with what's happening today rather than what's happening in the distant future.

Most of us have spent the majority of our adult lives in times of relative excess capacity, and now we're moving into times of relative scarcity. That means we have to ask different questions and to seek different answers.

It's often useful to think of infrastructure in three different areas: social infrastructure, economic infrastructure, and the infrastructure deficit. The infrastructure deficit is perhaps the most insidious. It's beneath our feet. It's under our streets. It's in the walls. We really haven't invested what we should have invested over the last decades, and we face a big bill. If we ignore the maintenance needs of our existing infrastructure, we do so at our peril. This is something that I think the committee needs to take into account as it looks at new projects versus existing projects.

The other part of the infrastructure deficit lies in things where capacity increases have been postponed, and that puts a brake on the Canadian economy. It keeps a friction in the system that keeps us from achieving our true potential.

If the last 20 years of infrastructure investment have focused on interurban development, the next 20 years will focus on cities. Nowhere is the infrastructure challenge facing cities greater or more evident than in urban mobility, whether it be pedestrians, cyclists, transit, cars, goods movements, or service movements, and these last two are often forgotten in the discussions. It is truly important that we allow the cities to flow in the way they have the potential to flow. Be it economic inclusion through the ability to get to a job, or the ability of a small electrical contractor to get to a customer, both are equally important.

What we really need in cities are a couple of decades, not a couple of years, of serious investment to allow cities to reach their true potential. We need to achieve a national consensus on the need to invest in infrastructure—its benefits, its costs. And we're seeing this around the world as countries develop national infrastructure plans that lay out a prioritized set of projects and programs that allow people to address social, economic, and the infrastructure deficit issues.

Consensus is very hard to achieve and very hard to maintain, but that can be an incredibly powerful way to guide progress. Similarly, when things change in the external environment, it also allows you to change directions. I would take you to the experience of the U.K. They've now completed their second national infrastructure plan, and they have changed directions quite severely. Had they not had that first plan, they would have been at a complete loss as to what to do.

The final point is about paying for it, and there are two concepts that are quite useful for your deliberations. These two concepts generally get muddled up by 70% or 80% of the people who talk about these issues. One is called funding infrastructure, and that's who ultimately pays for it, be that the taxpayer or the user. The second part is the financing of infrastructure, which pertains to how to pay for the initial construction. When those two terms get muddled up, the debates end up completely at cross purposes. I would ask as you go through your deliberations that you please remember those two concepts.

Now is a brilliant time for Canada and for Canadians to be investing in infrastructure, and I believe we owe it to those who follow on to make those investments today and for the next two decades.

Thank you.

● (1710)

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

[*Translation*]

I will now yield the floor to Mr. Coulombe for five minutes.

Mr. Robert Coulombe (Board Member, Mayor of Maniwaki, Union of Quebec Municipalities): Mr. Chair, Vice-Chair, ladies and gentlemen members of Parliament, thank you.

The UMQ, or Union des municipalités du Québec, was happy to accept your invitation to take part in the work of the committee. This is a priority for all the municipalities of Quebec that are pursuing the efforts they undertook in the past few years.

Since its inception in 1919, the UMQ has represented municipalities of all sizes, from all regions of Quebec. Its mission is to exercise leadership at the national level to promote effective and independent local governments, as well as support the fundamental role played by municipal elected representatives.

Our members, who represent more than 80% of the population of Quebec, are grouped together in affinity caucuses, that is to say local municipalities, central ones, regional cities, large cities and metropolitan municipalities.

We consider the infrastructure to be a tripartite responsibility. Whether to stimulate our economy in the short term, lay the foundation for a long-term sustainable economy or create attractive living environments, investments in infrastructure are important levers to ensure our prosperity.

In that sense, the efforts made over the past few years must be maintained and remain a priority. That priority must be upheld and sustained by the three orders of government, since it is in everyone's interest that we offer proper conditions to further a strong and sustainable economy.

Over the past few years the UMQ has done a lot of work on municipal infrastructures, and the starting point was an exhaustive study carried out in 2012 by Deloitte and E&B Data, a study that allowed us to assess municipal infrastructure needs.

The findings were very clear: municipal infrastructure as a whole is an imposing heritage consisting of assets that total more than $200 billion in value, but the municipal infrastructure deficit today has reached $34 billion. So, the needs are great. In order to rehabilitate and maintain these assets in good condition, the three orders of government must increase their tripartite investment by $3 billion, even though we are currently investing $4.3 billion annually. In fact, the municipalities are bearing an unfair burden, since they shoulder 76% of the net cost of financing municipal infrastructure.

This diagnosis shows the extent of the challenge we face to renew our public infrastructure, in a context where the state of public finances makes our decisions all the more difficult.

The study also showed that government infrastructure programs had an important impact on slowing the growth of the deficit, as of 2008. Whereas the deficit was increasing by more than 5% a year up till 2007, the programs put in place as of 2008 stabilized the deficit and reduced its annual growth, which is now around 1.5%.

These programs give results and consolidate our partnership, but we still have a long way to go and we must all maintain the pace. In that sense, the federal government's new long-term infrastructure plan is an important measure, since it will allow us to maintain our efforts and continue the catch-up work begun over these last years.

However, the investments are not on a par with what is required. That is why the sunset clause in the New Building Canada Plan which provides for a reassessment of the situation in five years is an excellent one.

The level set out in the new long-term plan must be considered a floor and not a ceiling.

● (1715)

The Chair: You have one minute left.

Mr. Robert Coulombe: Let's talk about needs and projects. The study presents an analysis of the municipal infrastructures, which had not been done for many years, neither at the municipal level nor by the government.

It demonstrates how great the needs are. It presents the need to continue to seriously invest in municipal infrastructures to ensure they are modern and safe, while contributing to job creation, the GDP and sustainable development in Canada.

Municipalities will continue to invest significant amounts in infrastructure because the needs are so great, but now more than ever, we need the other levels of government to maintain and even increase their contribution.

However, some components of the building Canada fund have not yet been implemented in Quebec because there is no agreement between Ottawa and Quebec. Among other things, the communities component—for municipalities of 100,000 inhabitants or less—are delayed in being rolled out, so that no municipal projects can be undertaken right now.

In this context, the UMQ is reminding governments of the importance of moving forward now with the many projects that have been unduly delayed and invites them to come to an agreement quickly.

In conclusion, in the context of the federal-provincial-municipal partnership, we have taken on an important challenge in the last few years which is to rehabilitate our infrastructures in order to support our economy and build desirable places to live.

Serious efforts have been made, but we can't lose sight of all the work that still needs to be done. Let's stay the course over the long term and maintain our strong partnership.

Thank you for your attention.

The Chair: Thank you very much.

[*English*]

We'll now go to Mr. Shapcott for his presentation.

Mr. Michael Shapcott (Director, Housing and Innovation, Wellesley Institute): Thank you very much.

My name is Michael Shapcott. I'm with the Wellesley Institute. Thank you for the opportunity to speak with you today.

I want to speak about another dimension of Canada's infrastructure, our housing infrastructure. I recognize that when housing is raised as an issue, there often tends to be a focus on house prices. As do members of this committee, I do talk regularly to various economists. I'm sure we could assemble a panel and have a lively discussion on whether or not there's a bubble and whether or not it's bursting, but I think that misses some important issues around the rest of Canada's housing infrastructure and some of the very serious issues being faced by Canadians because of housing challenges.

For instance, the latest national household survey reports that 3.3 million Canadian households spend 30% or more of their income on shelter, which is the threshold at which people, when they start to pay that much for shelter, have less money for food, medicine, child care, transportation, and other necessities. We know from the national household survey that 982,200 households, or about 7% of all households in Canada, are living in housing that's substandard, that's not fit for human habitation. We know that 6% of all households in Canada, 793,585 households, live in overcrowded housing, housing that is dangerous for the people living in it because of overcrowding.

Of course, housing is one of the most important factors for individuals in terms of their personal health and well-being. We know that. The research confirms that. It's also very important for the health and safety of communities and for the economic health of communities to have a good and diverse supply of housing.

The federal government was very helpful a couple of years ago in pointing out that affordable housing investments are actually one of the smartest investments a government could make. In the 2009 stimulus budget, when the federal government put in two years' worth of housing funding—$2 billion over two years—and then tracked that spending, they noted that the economic multiplier from that housing investment was as high as or higher than just about any of the other federal investments that were made. Roughly speaking, for every dollar the federal government invested, it achieved $1.50 in economic return.

For all sorts of good reasons, housing is a very important issue and needs to be part of the infrastructure discussion.

The observations we put in our written brief in the summer, when we submitted our brief to this committee, do note that the federal government has not been paying attention to the current needs of Canadians, in terms of the deteriorating housing infrastructure, especially since the recession of 2008. We've seen a flatlining of federal housing and homelessness investments, starting with the 2013 budget, when the federal government announced a five-year extension of both the federal homelessness program and the housing investment program but froze that spending at a time when, of course, we actually need more.

We've seen in the background that federal housing investments have been sharply declining since the 1990s—since 1996. Indeed, there have been some very dramatic reports from Canada Mortgage and Housing Corporation, which reports that federal housing program expenses reached a peak of $3 billion in 2010, when the federal stimulus budget was fully implemented, but by 2018 they're projected to be down by more than $1 billion to $1.9 billion. That's not just money that is being lost, but the decline in federal investments in housing means that the estimated number of households assisted by federal housing programs will also shrink at a time when there are growing housing needs across the country.

In 2010 the federal government reported that it was supporting 613,500 households. By 2018 the federal government says it will be supporting 452,300 households. That's a loss of 161,200 households, or a reduction of 26% in all federally funded affordable housing.

● (1720)

The Chair: You have one minute.

Mr. Michael Shapcott: Thank you.

In more recent information since our brief was prepared, Canada Mortgage and Housing Corporation reports that the number of new non-profit homes funded by the federal government in 2013 was 546, which is the lowest since records were started in 1978, and the number of new housing co-ops funded by the federal government in 2013 was 0, which is the same number it's been since 1994.

Our brief does set out what we think are practical ways that the federal government can begin to reverse some of these issues: make sensible investments in terms of housing infrastructure; and deliver the benefits directly to Canadians, who on a personal basis will benefit from good housing while the community and indeed the economy will also benefit from these investments.

I'd be happy to answer any questions. Thank you.

The Chair: Thank you very much for your presentation.

Colleagues, we will do five-minute rounds, and I am hoping I can get consent to go about 20 minutes into the bells. Is that reasonable?

Some hon. members: Agreed.

The Chair: Okay, thank you very much.

We'll start with Mr. Cullen, please.

Mr. Nathan Cullen: Thank you.

Thank you to all our panellists.

Mr. Beatty, I want to start with you. You're listed as a partner of KPMG. I may have missed it in your presentation, but are you specifically interested in infrastructure spending, or is it a broader? What capacity do you hold? I want to make my question specific.

Mr. Stephen Beatty: I have spent the last 30 years in infrastructure. I ran the Canadian business for 10 years and today I run KPMG's infrastructure business in the Americas and India.

● (1725)

Mr. Nathan Cullen: Who has primary financial responsibility for much of the infrastructure that you referenced in your presentation? Who holds the primary responsibility for the infrastructure, the deficit that you're talking about? Which level of government is that?

Mr. Stephen Beatty: I think it's all three levels. It boils down—and this is entirely consistent with trends around the world—to the problem that the three levels of government, or the two levels of government depending upon where you are, struggle to find the projects they want to invest in and to invest in together. One of the great challenges is to get that consensus on what to invest in, where to invest, and when to invest.

Mr. Nathan Cullen: I don't want to put words in your mouth, but your description around the infrastructure deficit that we're running right now in this country is perhaps near or at a past crisis level in terms of cost and scale. Is that a fair description, or are we not quite there yet?

You didn't paint the rosiest picture of our infrastructure situation.

Mr. Stephen Beatty: Again, there are two parts to it. If you think about infrastructure and the great boom in infrastructure that began in the late 1940s, early 1950s and into the 1960s, all of that infrastructure is now middle-aged.

Mr. Nathan Cullen: It's coming due.

Mr. Stephen Beatty: You didn't have to spend a lot of money. Again, people don't consume a lot when they're young. As things age, they begin to wear out. We are into that stage. Yes, we haven't maintained it so well, and we're now entering that phase in the life of our infrastructure.

Mr. Nathan Cullen: Right. My colleagues across the way will say they have promised lots of money for infrastructure, not mentioning that almost of all of it is back-loaded into the eighth, ninth, and tenth years of the program. That doesn't suggest the type of urgency that may be required for aging and not-well-kept-up infrastructure.

A concern I have is the so-called downloading to the cities in particular, which have requirements under law not to run deficits and also have the most limited ability to raise revenues. Are we not coming to a pinch point here where long-away promises are not going to meet the needs of today?

Mr. Stephen Beatty: The real challenge is to determine when that occurs, and one of the great challenges that municipalities face, provincial governments face, and federal governments face is actually knowing the condition of the assets. One of the things I would urge all of the municipalities present and within earshot to do is to make sure they really understand the physical condition of their assets.

Mr. Nathan Cullen: Is there a role for the federal government in helping them to understand that?

Mr. Stephen Beatty: There can be. Again, part of this is figuring out what the assets are, where they are, and their condition. They should be known and knowable. We can all make sure we do a better job.

The problem with infrastructure assets that are installed is that everything feels good until it breaks. It's a bit like a car running out of oil: everything feels good until the thing seizes. There is a pinch point. Is it today? Is it tomorrow? Is it 10 years from now—

Mr. Nathan Cullen: We know it's coming.

Mr. Stephen Beatty: I'm not technically competent to say that, but we are entering that phase where expenditures are necessary.

Mr. Nathan Cullen: Mr. Romoff, I understand, as a promoter and fan of the P3 model, you highlight the places where it works. It's not a one-size-fits-all, is it? There are instances where it has not worked in Canada. Is that fair to say?

Mr. Mark Romoff: There are actually no examples in Canada where a P3 has gone ahead and has been a failure.

Mr. Nathan Cullen: The Brampton Civic Hospital, according to the Ontario Auditor General, ran over $200 million, in part because it was a P3; the Sea-to-Sky Highway was $220 million over, due to the fact it was organized as a P3; and with the UQAM, the University du Quebec at Montreal, the rate of that investment cost the Government of Quebec $400 million, $200 million more than was originally budgeted; and City of Ottawa had to bail out two P3 projects entirely.

To not describe some of those cost overruns to the taxpayer, who eventually picked up the costs of these “not-failures”, I suppose you would call them, is significant. The one size P3s work in all situations and there has never been any kind of failure of expectation or delivery to the public and to the taxpayer?

Mr. Mark Romoff: I'll make a couple of comments. Several projects you've mentioned are not P3s, so I would have that discussion with you about that.

Mr. Nathan Cullen: I'd love to.

Mr. Mark Romoff: UQAM is one of those. It's not a public-private partnership.

The second thing, as I mentioned earlier, is P3s are not a panacea, but when they're done for the right reasons and when the contracts are structured appropriately, they have delivered results for us time and time again. That is true right across the country.

● (1730)

Mr. Nathan Cullen: Those are two very large conditions for success, if contractors operate in a proper way.

Thank you, Chair.

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

We'll go to Mr. Saxton, please, for your round.

Mr. Andrew Saxton: Thank you, Chair. Thanks to our witnesses for being here today.

I just want to begin by following up on a comment made by Mr. Cullen regarding funding for infrastructure. I just want to confirm that our government has indeed provided over $53 billion in infrastructure funding over the next 10 years, which is the largest and longest federal investment in job-creating infrastructure in Canadian history.

My first questions will be for the Canadian Council for Public-Private Partnerships.

Mr. Romoff, in your opening statement you highlighted some of the benefits of P3 projects, and also how Canada is leading the way in the world in this regard.

As you know, our government has been very supportive of P3s. I just want to ask if you can identify some of the recent examples of P3s that have been successful and also helped to change the mindset around infrastructure funding.

Mr. Mark Romoff: There are examples right across the country. We could start with British Columbia. The Canada Line, the transit system that connects the airport to downtown Vancouver, is an exemplary case of a successful public-private partnership. It is the best example, in the sense that the private sector took on responsibility for the design, construction, financing, maintenance, and operations of that system. That system was built at significant savings to the Government of British Columbia, in excess of $90 million. That particular transit system is exceeding estimated ridership levels, which was an element of its feasibility at the beginning. It is really quite a great a example of P3s in action.

Mr. Andrew Saxton: Yes, that's an excellent example. I know many people who love taking that Canada Line. I know my 85-year-old father takes it to the airport, as a matter of fact, when he flies.

Can you give us an example of when P3 projects make sense?

Mr. Mark Romoff: P3 projects make sense where you can demonstrate that the value for money for taxpayers is better than preceding with more traditional design-bid-build approaches. There are several advantages of a public-private partnership, but the principal advantage comes back to the point that Mr. Cullen was making earlier, which is that if you put in place a public-private partnership that includes life-cycle maintenance of the facility and requires the private sector entity to assume responsibility for that maintenance over the period of 30 to 35 years, you may still have roads and bridges that are degrading, but it will be the responsibility of those consortia to make the repairs, to meet the obligations of the contract, and furthermore to assume the cost.

If you have a look at the Champlain Bridge in Montreal, that bridge, of course, is now in need of serious repair. In fact, it's going to be replaced. It was initially built as a traditional project. As you know, the Government of Canada is moving ahead on an accelerated basis to replace that bridge with a public-private partnership model, which will put the onus on the private sector consortium to ensure that it is maintained over the 30 to 35 years of that contract, to a standard that was agreed to at the outset of that contract. It puts the onus and responsibility on the private sector, and it holds the public sector exempt from those costs that normally end up being assumed by governments when projects are procured in the more traditional way.

Mr. Andrew Saxton: Thank you very much.

My next question is for Beatty from KPMG.

Mr. Beatty, if you could talk to us about the state of public-private partnerships in Canada, I would appreciate that. Also, our government understands the importance of P3s and has encouraged large projects to consider P3s as an effective funding option. Should more municipal projects be considered for P3s?

Mr. Stephen Beatty: The first part of my response is that the state of public-private partnerships is very healthy in Canada. It is one of the two or three jurisdictions around the globe that are held out as true state-of-the-art jurisdictions. It's characterized by a predictable flow of projects, by predictable timeframes for procurements, and public entities that are highly competent and sophisticated in the procurement of infrastructure. Those would be the big three from that perspective.

In terms of the funding options, I'd take us back to my earlier remark: financing and funding. Most of that pertains to financing rather than funding.

The Chair: You have about 15 seconds, Mr. Saxton.

Mr. Andrew Saxton: I have 15 seconds.

I'll ask the Canadian Life and Health Insurance Association very quickly about their opinion of our PRPP, the pooled registered pension plan, and the tax-free savings accounts and how these are helping to encourage Canadians to save for their future?

● (1735)

The Chair: Let's have a very brief response.

Mr. Andrew Saxton: It'll be very brief.

The Chair: Mr. Swedlove, do you like them or do you not like them?

Mr. Andrew Saxton: Have these been a good idea for Canadian savers?

The Chair: Order.

Let's have a very brief response.

Mr. Frank Swedlove: I'll respond very briefly on PRPPs.

I think the fact that we're getting very wide support from a lot of the provinces—four provinces have now implemented them, and Ontario has announced that they will be implementing them shortly—reflects widespread acceptance and a view that this is a real way of providing pension opportunities for people in Canada who don't have them.

The Chair: Thank you.

Thank you, Mr. Saxton.

Mr. Brison, please.

Hon. Scott Brison: Canada has the greatest concentration of expertise in the design, construction, and financing of infrastructure in the world, and we're building airports and highway systems and water treatment plants and transit systems around the world, yet our pension funds aren't investing that much in Canada. Why is this? Is it a matter of bundling? Should we be bundling projects together in similar asset classes and making them more investor friendly?

Mr. Mark Romoff: This is a question probably best addressed by the pension funds, but I'll take a shot at it.

I think there are a couple of things at play. With respect to pension funds, the bottom line is that they tend to be risk averse, because they have to ensure they have a continuing stream of returns on their investment to meet their pension obligations. So they tend not to invest in greenfield projects because of that high risk, but rather buy assets around the world or invest in brownfield projects.

Hon. Scott Brison: That's an interesting point.

Mr. Beatty, could you explain how the Australian model of asset recycling, whereby the national government helps state governments recycle brownfield assets for greenfield investments, would work in Canada.

Mr. Stephen Beatty: The Australian model is fascinating. The federal government removes the tax disincentive associated with selling an asset by a state government, as long as the money is reinvested in new infrastructure or rehabilitation of infrastructure. This is a way to take some of the stock of capital and use it to finance new infrastructure or rehabilitation of infrastructure. We think it's a very powerful model for unlocking some of the inherent value in the assets. It creates a new incentive and a new source of financing to allow the federal and the state governments to build the new infrastructure that is necessary. Something similar to that structure of government could operate in a Canadian context, again having adjusted for all the institutional differences.

Hon. Scott Brison: For example, if a province sold a brownfield asset like office buildings to commercial real estate companies, say for $100 million, the Australian model would give them a 15% kicker from the federal government if they invested, say, $115 million into new infrastructure—the kind of greenfield space that pension funds may be averse to investing in, in the short term.

Mr. Stephen Beatty: Yes, but when we look at it, that is a provincial government recycling its assets, not necessarily its infrastructure assets. The Australian model is quite focused on infrastructure asset recycling.

Hon. Scott Brison: Assets that a provincial government would sell.

Mr. Stephen Beatty: It could be an electric utility, it could be a toll road, it could be whatever, but the Australian model is quite focused on infrastructure asset recycling. You could choose to broaden it, but again there are issues there. The Australian one appears to have achieved a real consensus around that.

Hon. Scott Brison: But it has enabled Australia to take $13 billion of federal money in last year's budget and leverage it to create $60-billion worth of infrastructure investments?

Mr. Stephen Beatty: I would use the present tense, rather than the past tense. It hasn't happened. It's in the process of happening.

Hon. Scott Brison: Okay, it's in the process of happening.

With our low interest rates today and the low cost of money, slow growth, soft job market, and massive infrastructure needs, we have the IMF, OECD, and David Dodge all telling us that this is the time for historic infrastructure investment. Do we have an opportunity to make the kind of infrastructure play, nationally led, that would be the biggest we've ever done in Canada? Would you agree there is the potential for that, that we can afford to do it, but that it just takes federal leadership to get it done?

● (1740)

Mr. Stephen Beatty: I think the scale is equivalent to the boom I was talking about in the late 1940s, early 1950s, and into the 1960s. Yes, absolutely.

The Chair: Mr. Brison.

Hon. Scott Brison: On housing, we talk about housing as infrastructure in a sense. Given that asset classes, in which people have an expectation of paying something, often work best in public-private partnerships, is there an opportunity for REITs and pension funds to invest in affordable housing in property-structured deals?

That's for Mr. Beatty or Mr. Shapcott.

The Chair: Okay.

Mr. Shapcott, could we have a brief response, please?

Mr. Michael Shapcott: There is an opportunity. I am not an expert on the structuring of financing, but there are actually some interesting practices. Also we know in the United States and the U. K. there have been some interesting practices I think we can bring forward.

The Chair: Okay.

Mr. Beatty, do you want to respond very briefly?

Okay. Thank you so much.

Thanks, Mr. Brison.

We'll move to Mr. Keddy, please.

Mr. Gerald Keddy: Thank you, Mr. Chairman.

Welcome, witnesses.

I have a couple of specific questions for Mr. Swedlove.

You talked about market demand for long-term bonds. In 2014 we created $2.5 billion worth of 50-year government bonds. What type of potential infrastructure expenditures could those help to leverage?

Mr. Frank Swedlove: We're very pleased with and supportive of the federal government initiative to introduce 50-year bonds. A number of provinces have already put those in place. It's a great opportunity for the government to finance its debt more cheaply. Also, it's a good opportunity for us to invest in longer-term assets. So we're very supportive of that. If there's anything we would like to see, it would be more of that activity so that it could become a benchmark that could be applied.

Separate from that, because it's essentially investing in government securities, is the opportunity to invest in P3 activities that have either a debt or an equity component. So it's quite different, but at the same time it would be equally useful.

Mr. Gerald Keddy: Thank you.

Somehow I knew there was going to be more in that answer.

One of the other things you mentioned, which we also heard about from the Federation of Canadian Municipalities and the Large Urban Mayors' Caucus of Ontario, was the standardization of documentation for projects under $50 million. How critical is that? Is that something that government can address simply without a legislative change? Is that a bureaucratic change?

Mr. Frank Swedlove: I think it's something that can be introduced. I think it would be significant. I think to us it's a starting point, because if you standardize documentation, then you can start looking at being able to bundle certain projects, for example. Also you could look at lowering the lens under which a P3 formula applies at present, which is $100 million—which is very high in our view—if you could get some standardization of documentation. We think that's a key first point and a key area that we could move on. It doesn't require any legislative change. What it requires is significant cooperation among the federal government, provincial governments, and private investors. We think PPP Canada could take the lead in that regard.

Mr. Gerald Keddy: The reality is we always talk about the huge projects, but there are lots of projects out there under $50 million, especially for some of the small more regional municipalities.

Mr. Romoff, I know you wanted to comment, so I'm going to give you the opportunity.

Mr. Mark Romoff: I was just going to add that you're absolutely right, Mr. Keddy, that the next iteration of P3s in Canada will be driven very much by municipalities and the aboriginal communities across Canada. They will by definition be equally complex projects, but significantly smaller. There is a real need now to think about how we might recalibrate the P3 model in order to accommodate that next wave of projects.

I would add that part of the challenge for municipalities is the cost of the services that are necessary to enable them to proceed, the cost of legal services, the technical services, and the advisory services. If we could bundle those together into essentially a one-stop shopping facility, a “plug and play” if you like, for municipalities so if they had a project, they could go to one place and get all of these services in an integrated fashion and at a far lower cost, it would make it a much more manageable proposition for them to move ahead with the P3.

● (1745)

Mr. Gerald Keddy: Exactly. Thank you for that.

Mr. Beatty, you talked a little bit about the British model and phases one and two of their infrastructure program. Can you relate for the committee the dollars for the first infrastructure that they rolled out, the cost of that, and then the cost of the second one and how much it's increased?

Mr. Stephen Beatty: I was actually referring to the programs, rather than the individual funding envelopes.

The first go round primarily focused on social infrastructure, then the financial crisis occurred. The second national infrastructure plan swung quite significantly toward economic infrastructure. It was more "what are the important projects, and in what order?" than a funding and financing envelope.

It's very much deciding what projects are to be built when, and I think that's the real message there. I would commend you to their website. It's actually quite a useful process.

The Chair: Thank you very much.

Thank you, Mr. Keddy.

[*Translation*]

Ms. Boutin-Sweet, you have the floor for five minutes.

Ms. Marjolaine Boutin-Sweet: Thank you, Mr. Chair.

Mr. Shapcott, your document contains three recommendations that you have not addressed. Could you please talk about them?

[*English*]

Mr. Michael Shapcott: Thank you.

The first recommendation is that we believe the federal government needs to increase its spending on its federal homelessness strategy.

In 2013 it announced a five-year extension, but it froze the funding. We know that most of that money, 80%, goes to 10 large municipalities, with the rest going to 51 smaller municipalities. So our first recommendation is to increase the federal homelessness strategy funding by 10%.

Secondly, the federal government announced in 2013 a five-year extension of the investment in affordable housing program. We're recommending it should be doubled to $500 million, because once again the funding was frozen for a five-year period when the need is growing.

Thirdly, we join with many others—municipalities, housing organizations, and others—in saying that the federal government needs to reconsider its decision to allow an overall decline in federal housing investments. This is one of the reasons that the federal government can make a $2 billion investment in affordable housing, as it did in 2009, yet we can still be further behind now than we ever were before, because in the background more money is being taken away.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: I agree with you that the money spent on housing and homelessness is an investment and not just an expense.

I would like you to speak more about homelessness. The 2013 budget contained a reorientation of HPS, and a large portion of the budget was set aside for housing. A number of groups had a problem with that. In Quebec, the RAPSIM, the RSIQ, the Government of Quebec and the City of Montreal felt that all the eggs were being put in one basket.

I know that, in Quebec, we prefer a general and community approach. I would like your opinion on that.

[*English*]

Mr. Michael Shapcott: We certainly think the housing and homelessness needs across the country are different. They're different in Vancouver from what they are, for instance, in a small community in rural Newfoundland and Labrador, and different again in downtown Toronto, where I happen to live, from say, some parts of Quebec, which you're more familiar with.

There isn't such a thing as a "one size fits all", and we're always very cautious when someone proclaims that there is a magic solution that will meet all the needs of the 200,000-plus homeless people in the country.

Certainly, Housing First is a very robust model. The federal government and the Mental Health Commission of Canada demonstrated through the At Home/Chez Soi project that for the 3,000 homeless people who were part of that project, it was the difference literally between life and death and resulted in housing stability. So we know that that model works, but it doesn't work for everyone, and it shouldn't be imposed.

Similarly, on the financing thing we're saying that the federal government does need to increase investments, but we also think the federal government needs to look for alternative and other investments as well. We know that the federal government alone can't solve the housing and homelessness infrastructure needs of Canadians.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Mr. Coulombe, you mentioned that 76% of the cost for infrastructures go to the municipalities. Recently, the FCM mentioned that no portion of the new building Canada fund was reserved for the municipalities. Given that the municipalities have such a large bill and they are responsible for the vast majority of infrastructures, what would you recommend to the federal government for the next budget with respect to this?

● (1750)

Mr. Robert Coulombe: Indeed, the municipalities assume 76% of the bill. For the municipalities to benefit from the investment, they would need to find an economic formula. In the context of economic activity, the federal government receives 30 cents on every dollar for taxes, and the same is true for the Government of Quebec. However, the municipalities collect absolutely nothing.

We want to continue our efforts. However, to ensure that the communities can continue to make these efforts, we need the government to be more involved. The building Canada fund has done a considerable job in helping the country to weather the crisis. Everything the municipalities have done together with the provinces and the federal…

[*English*]

The Chair: Just finish up briefly, please.

[*Translation*]

Mr. Robert Coulombe: At the end of the day, it created economic activity. In Quebec alone, from 2008 to 2014, 220,000 work-years were created through the infrastructure plan.

[*English*]

The Chair: Thank you.

On behalf of all of my colleagues, I want to thank all of our guests for being here this afternoon.

I apologize for the shortened time, but we have a vote in about eight minutes, colleagues. I encourage you to make your way to the House.

[*Translation*]

Thank you very much, everyone.

[*English*]

Mr. Romoff, we're out of time, so I'm not sure what—

Mr. Mark Romoff: Mr. Chair, could I be so bold as to just mention to the committee members that should they wish to learn a little more about public-private partnerships, the council runs the largest conference in the world. It will be held in Toronto, November 3 and 4.

The Chair: That was a free ad for that. Good point.

If there's anything further you wish the committee to see, please submit it to the clerk. I'll ensure that all members get it.

The meeting is adjourned.