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Chair

Mr. Merv Tweed

Standing Committee on Transport, Infrastructure and Communities

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• (1530)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Thank you, and good afternoon, everyone. Welcome to the Standing Committee on Transport, Infrastructure and Communities, meeting number 40.

Our orders of the day, pursuant to Standing Order 81(5), are supplementary estimates (B), 2010-11, votes on vote 1b, vote 5b, vote 10b, vote 25b, vote 40b, vote 55b, vote 60b, vote 70b, vote 75b, and vote 80b under Transport, referred to the committee on Thursday, November 4, 2010.

Joining us today we have the Hon. Chuck Strahl, Minister of Transport, Infrastructure and Communities, and the Hon. Rob Merrifield, Minister of State for Transport.

I have introduced your guests before, but I'm sure that is in your opening comments, Mr. Minister, so I will ask you to take the floor, and then we'll proceed with questions.

Hon. Chuck Strahl (Minister of Transport, Infrastructure and Communities): Thank you very much, Mr. Chairman.

It's a pleasure to be back, and thank you for inviting me to appear today. I'm pleased to be here to provide you with an update on the transportation, infrastructure and communities portfolio.

I'll be sharing my time with Minister Merrifield, who has some very specific comments about the areas under his responsibility.

With me today are Yaprak Baltacioglu, the deputy minister of transport, infrastructure and communities, and John Forster, associate deputy minister of infrastructure. We have other officials in the room as necessary.

Committee members, the last time we were here was in October. I presented you with an overview of the portfolio.

[Translation]

Committee members, the last time we were here, in October, we presented you with an overview of the portfolio.

[English]

I gave you my thoughts on the transportation sector's role in the Canadian economy and the effects infrastructure investments have had on communities across Canada, as well as our partnerships with the provinces, territories, and municipalities. I also raised the issue of ongoing security threats and spoke about the importance we place on relationships with international trading partners.

Today I'd like to provide you with an update on these issues from both the transportation and infrastructure perspectives, as well as to speak to what the future may hold, and then to entertain your questions, of course.

On infrastructure progress, in my last appearance I talked about the funds that Infrastructure Canada manages under the economic action plan. There is the \$4 billion in the infrastructure stimulus fund, the \$1 billion in the green infrastructure fund, the \$500 million top-up to the communities component of the Building Canada fund, and the \$25 million for the National Trails Coalition. We also accelerated and streamlined existing funds under the \$33 Building Canada fund, our flagship program, so that partners could take advantage of these investments sooner than originally scheduled. Since the introduction of the economic action plan, about \$10.7 billion has been committed through Infrastructure Canada's programs toward approximately 6,200 projects. Along with the contributions from our partners, such as provinces, territories, and municipalities, this represents a total investment of over \$30 billion.

As you know, last Thursday the Prime Minister announced a seven-month extension, to October 31, 2011, to deadlines for projects funded under four infrastructure programs, including the infrastructure stimulus fund and the communities component top-up. This gives an additional seven months to project proponents across the country that may need extra time to see their projects through to completion.

[Translation]

As you know, last Thursday the Prime Minister announced an extension, to October 31, 2011, to the deadlines for projects funded under four infrastructure programs, including the Infrastructure Stimulus Fund and the remainder of the Communities Component Top-Up. This gives an additional seven months to project proponents across the country who need the extra time.

[English]

The vast majority of projects are on target to be built by March 31, 2011. The extension is a fair and reasonable approach that will allow the remaining projects to cross the finish line successfully, and while Canada has emerged from the recession as the strongest G-7 country, the global recovery is so fragile, and this extension is a responsible way to help continue to stimulate the economy without resulting in extra costs for taxpayers. This is certainly good for the country and it is good for the economy, and it ensures that Canada will return to balanced budgets while still completing worthwhile projects.

[Translation]

While Canada has emerged from the recession as the strongest G7 country, the global recovery is still fragile. This extension is a responsible way to help continue to stimulate the economy, without resulting in extra costs for taxpayers. This is certainly good for the country and good for the economy. It ensures that Canada will return to balanced budgets, while still completing worthwhile projects.

[English]

Mr. Chair, you see from the supplementary estimates (B) for Infrastructure Canada that we are looking to reprofile funds from 2009-10 to 2010-11 under a number of our programs. This is done to accommodate the funding needs of our partners.

This is an important point that we may get into during the question and answer period. Under the past programs that pre-date our government, and the current contribution agreements that we've signed, funding flows to our partners once they submit claims for work that's been completed. For many projects, work may be well under way or even completed before we receive even the first claim for money and before we can pay any bills. The reprofiling of funds ensures that the necessary resources are available to reimburse costs for projects the government had already committed to support when the claims were submitted. In other words, the economic activity starts, people are hired, the contracts are let, all sorts of action happens out in the field, but we can't pay the bills until they're submitted to us. This continues, and that's the reason for this reprofiling. It goes on virtually every year in Infrastructure Canada, and it will continue this year.

As we move forward in delivering the short-term funds under the economic action plan, we continue to deliver long-term funding under the \$33 billion Building Canada plan, which includes the gas tax fund. This fund doubled to \$2 billion per year in 2009. That's \$2 billion per year going to municipalities, big and small, right across the country for their infrastructure projects. Through Budget 2008, we announced that the gas tax will become permanent after 2014. This is funding that municipalities can rely on and use when they need it—they can use it immediately, or they can bank it and use it further down the road.

Let me turn to Transport Canada. We continue building a safe, secure, sustainable, and efficient transportation system in Canada. While time doesn't permit a detailed discussion of all initiatives, let me highlight just a few. First, there is the action our government is taking to protect our civil aviation system. We know civil aviation remains a target for terrorists and recent attempts on international airlines stress the need to remain vigilant. Our government continues to make significant changes to Canada's aviation security system, including the introduction of full-body scanners at Canadian airports, the development of a passenger behaviour observation program, and the development of aviation security plans at Canada's major airports to assist their security readiness and make changes where needed.

We've also taken action with respect to air cargo security, investing \$95.7 million over five years in the air cargo security program. This program will strengthen air cargo screening and the security of the supply chain. We'll continue this focus on the security of all of our airlines. We invest in safety and security because it's our first priority. At the same time, we continue to invest in

transportation infrastructure that will create jobs and boost the economy, particularly at this time of economic challenge.

Turning to Canada's ports, I can tell you they are a cornerstone of our gateway and corridor initiatives. I think this is where some of our best successes are and where we can point to some of our most productive partnerships in our gateway and corridor initiatives. As part of Canada's economic action plan, our government has announced close to \$104 million under the infrastructure stimulus fund for 30 projects at ports managed by Canadian port authorities.

• (1535)

[Translation]

As part of Canada's Economic Action Plan, our government has announced close to \$104 million under the Infrastructure Stimulus Fund for 30 projects at ports managed by Canadian Port Authorities.

[English]

Examples include \$20.6 million for Port Metro Vancouver to make upgrades to the port's infrastructure and \$15.3 million for work at the Port Authority of Montreal. These investments and others are making Canada more competitive at home and abroad and are helping to advance our government's gateway and corridor initiative.

As trade volumes exceed their pre-recession levels, Canada's ports and other supply chain partners have positioned us to capture the economic benefits to be had from international commerce.

[Translation]

These investments are making Canada more competitive at home and abroad, and helping to advance our Gateways and Corridors Strategy.

As trade volumes increase past their pre-recession levels, Canada's ports and other supply chain partners have positioned us ahead of our competitors to capture the economic benefits from international commerce.

• (1540)

[English]

In particular, we've made great strides with our Asia-Pacific gateway and corridor initiative, having announced over \$3.5 billion worth of projects since our launch in 2006, leveraged from federal contributions of some \$1.4 billion. So that's been a tremendous success.

However, we can't be complacent in our success, and we must address the efficiency, reliability, and security of the supply chain if we are to remain competitive globally.

We'll also examine the lessons we learned from the Pacific gateway and apply them to initiatives such as the Atlantic gateway and our Ontario-Quebec continental gateway.

A key element in our gateways and corridors strategy is the Detroit River international crossing. It's the most important bridge project in North America's history, given that cross-border traffic at Windsor and Detroit represents 30% of all Canada-United States trade. We are determined to get that bridge built, and we remain committed to the project. As such, we pledged a maximum of \$550 million for project components in Michigan. That being said, our financial participation is subject to the Michigan legislature's adopting all of the authorizing legislation for the bridge project.

Now, unfortunately, the Michigan Senate adjourned without bringing the DRIC authorizing legislation to a vote during their recent lame-duck session. I have spoken with Governor-elect Rick Snyder and have secured his commitment to make this a priority and to work together to obtain the necessary legislative approvals in Michigan.

In the upcoming year, we will continue working closely with the State of Michigan and the U.S. federal government to get that bridge built. It remains, obviously, arguably, the most important infrastructure project on the books for Canada. That bridge is a necessity for increased commercial traffic over the next number of years. We're determined to work with our partners in the United States, both federally and at the state level, to make that happen.

Minister Merrifield has some concluding remarks.

Hon. Rob Merrifield (Minister of State (Transport)): I have a tremendous amount of respect for the committee. I want to thank you for the work you've done on the Railway Safety Act. Just to let you know, we certainly want to accelerate this and get it to you as soon as possible after it passes second reading. I'm told that it is a good possibility before Christmas.

I want to update you very quickly on Marine Atlantic, which is a constitutional obligation we have for the ferry system between North Sydney and Newfoundland. That's North Sydney, Nova Scotia.

The ferry connection is very important for the transportation of the people who travel there and for goods. It was in a terrible situation, a terrible state, when we first came into office. We brought on the *Atlantic Vision*. Actually, it was on life support.

Just to give you an idea of how comprehensive a refit we are actually making, it is significant. Not only are we plugging forward with two new vessels that will increase capacity for Marine Atlantic by 40%, compared to each of the vessels they're replacing—the total is actually a 50% increase in total belly carrying capacity—but there is also almost \$90 million for onshore facilities—it's actually just a little over \$90 million—at North Sydney, Argentina, and Port aux Basques.

These two vessels, just to give you a quick update, will be replacing the aging *Caribou* and the *Smallwood*. The vessels are named. The first vessel will come into being. They're the *MV Blue*

Puttees and the *MV Highlanders*. These two vessels are on track. The first one is actually expected to be here in December and to be operational in March or before. The second one will be arriving in February and will be put into service long before the spring rush.

Because of the increased capacity for the movement of people and goods as we move into the spring, Marine Atlantic will have a tremendous amount of opportunity to deal with the pressure it has received. The rollout of the onshore facilities are taking place at the present time and will take place over the next three years.

CO₂ emissions, improvement of waste water handling, and increased fuel efficiency all will be realized as we bring these two vessels into operation. We're very excited about them. They are state-of-the-art vessels. They are chartered for a five-year period. Those who have seen them are ecstatic about what they're seeing. Marine Atlantic is well overdue for a major, major overhaul, and it is getting that.

This was not only a little over half a billion dollars—\$521 million over a five-year period—in Budget 2010, but together with what we've done since we came into office, it is almost \$1 billion in real money for Marine Atlantic so that it can deal with its pressures.

Thank you.

• (1545)

The Chair: Thank you.

Before I go to Mr. McCallum, protocol suggests that I have to call vote 1.

Mr. McCallum.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Thank you, Ministers, for joining us.

I'm saying this because I don't want you to think I'm boycotting you, but I'm going to have to leave before the end of the meeting to speak in the House. I certainly agree with you about the Windsor bridge. I think it's pretty shocking that it's taken us so many years to get this thing done. But I'm not going to agree with you on everything.

I remember Jim Flaherty in his budget saying that to be effective, infrastructure had to be out the door within 100 days. If we look back at last year, for which we now have data, last year was the peak of the recession, the peak of the unemployment and the financial crisis, when money was needed most, yet the figures indicate that only 25% of the money allocated for the infrastructure stimulus fund was actually spent, and a pathetic 3% of the green infrastructure fund. This was in the year that was the peak of the crisis, when the money was needed most. So why was this?

Hon. Chuck Strahl: Again, all I can come back to is two things. One, the Auditor General looked at the program and how it was rolled out, and you have to balance, of course, the proper kind of oversight and risk management. When you're talking about these kinds of dollars, it's important that we have the right kind of programming and oversight in place to make sure it's done properly. The Auditor General gave officials, I think we all have to admit, a really glowing report, indicating that not only did they get the money out in record time, but they did so without sacrificing what taxpayers expect on the oversight, and they made sure it was done properly.

On the other hand, for many of these projects, again, before the money is spent, the economic activity is already happening. It truly is a case in which somebody will take on an agreement, we sign the contribution agreement, and they construct and incur expenses and economic activity the moment we sign that agreement. So the money starts having an impact even before we pay the bills. I tell people that it's a little like the infrastructure project in your home. If you're going to renovate a bathroom, you call in the people; the plumbers go to work, the carpenters are there, the suppliers are busy supplying, and jobs are being created, but you don't pay the bill until it's done and it's been inspected. The same sort of thing happens here. Not all the money goes out, but it's been that way, as you know, Mr. McCallum, since Liberal days. It was exactly the same. You can't pay the bills before they're submitted.

Hon. John McCallum: That's true, except that's known when you make the commitment. Nevertheless, with that knowledge in people's minds, they committed \$2 billion to be spent for that year, and only a quarter of that was spent, and only 3% of the green infrastructure fund. So I still think that is a failure to get the money out the door the way the government committed to do it. If we look at the two years—last year and this year—together, and if we include all the authorities Infrastructure Canada has asked for, you still are only asking for \$2 billion out of \$4 billion over the two years. So in the budget, you claimed \$4 billion over two years. What you're now asking for is half of that, \$2 billion. For example, if you claim there are x jobs created, that's based on \$4 billion. The most jobs you could have would be half of x if you only get out \$2 billion. I just don't understand why you got out such a small fraction of the money that you promised you would.

I want to come now to the question of the announcement of the seven-month extension. We had been asking for six months, so I can hardly disagree with the substance of your announcement, but I do take exception to the timing, because we have been pushing for this for many months, and the consequences of delaying it as long as you did are important for municipalities in at least two respects.

First of all, many millions of extra dollars were spent on overtime trying to meet this arbitrary goal that everybody was shooting for. The former mayor of one town alone, Brantford, said his town alone spent millions of extra dollars in overtime because of this deadline, which was then extended.

The second thing is you talked earlier about rescoping projects in order to meet the deadline. I assume rescoping is a euphemism for downsizing, making them smaller. Now that the deadline has been extended, are you going back to those towns that rescoped or downsized their projects and telling them they can go ahead with the

projects as they originally were, now that they have an extra seven months to get the job done?

• (1550)

Hon. Chuck Strahl: First of all, thank you for the congratulations on the extension.

As I've said in the House, we couldn't make a decision on that until we got the data from the provinces. We had anecdotal stories, but we needed data from the provinces, which are in charge of actually making the projects happen. We supply the money; they do the project management, if you will.

It really wasn't until about three weeks ago that we got all the data in on the specific projects across the country. Once we got all of that, it became quickly apparent, as we went through the data, that there were a number of projects, about 90% of them, probably give or take 90%, that would get completed. There was a significant portion, maybe 10%, that would have trouble or would incur ridiculous costs—paving in the wintertime, for example.

Obviously, we've been sending the signal for quite some time. As you know, in the House, in response to your questions and others, we wanted to be fair and reasonable. I've been meeting with provincial ministers. While the proposal for a six-month extension was fair, to be fair and reasonable it had to be seven months. Of course, that would make it both fair and reasonable.

In the end, we're confident that 90% of these projects are going to get done. It is important that people understand that there are conditions that go with this. Again, there are no blank cheques here. There are certain obligations that proponents have to show us. They have to show us that the project is under way. In other words, it's not just on the back burner; it has to have started. The proponents have to have incurred expenses to date. They have to give us, again, the status report as to.... We don't want to get into this again. They're the ones who promised us that they could do the job, after all. It's only fair to promise us that they can do it, with an engineer's assessment, and that it can be done in this extension period.

We are not taking further applications. This is not a new program or an extension to start new ideas or to come up with new ideas. These are for existing projects that are already in the system.

The Chair: Monsieur Guimond.

[Translation]

Mr. Michel Guimond (Montmorency—Charlevoix—Haute-Côte-Nord, BQ): Thank you, Mr. Chair. My question is addressed to Mr. Merrifield.

You mentioned the *MV Caribou* and the *MV Joseph and Clara Smallwood*, if I remember correctly. The latter was built at the MIL-Davie shipyards at Lévis.

Where were these two new ships built?

[English]

Hon. Rob Merrifield: These are being retrofitted in Germany right now. The two new ones are Swedish vessels. They're chartered for a five-year period. The work that had to be done on them is fairly extensive. They had to be moved into a size that would fit particularly Port aux Basques, so they're shortened vessels. They are two and three years old, respectively. They're state-of-the-art vessels, as close to a custom-fit vessel as you could make for this application between North Sydney and Port aux Basques.

[Translation]

Mr. Michel Guimond: If I am not mistaken, these are Swedish ships that were rented for a period of five years, are they not?

[English]

Hon. Rob Merrifield: That's right.

[Translation]

Mr. Michel Guimond: The transformation, the upgrading, the modernization, the adjustments needed to resolve certain problems, such as the problem at Port aux Basques that you mentioned, all this work was done in Germany. Could this work not have been done in Quebec or in Canada?

[English]

Hon. Rob Merrifield: No, we wouldn't have the capability to do it over here, particularly with the timelines. These are actually the Stena Line vessels. As part of the charter, they come to us retrofitted and ready for service. That's all part of the contract. Stena Line is a \$7-billion-plus operation company and has the capacity to do this kind of work in the timelines that were necessary to have it done.

What we didn't want to do is to get into an extension where we go into another summer season without the ability to have a state-of-the-art fleet with the extra capacity. There are two fundamental problems at Marine Atlantic. There is an old, deteriorating fleet of ships that are not reliable. *Smallwood* went out a number of times this summer, causing major havoc in the middle of the tourist season and over the summer months, where capacity was stretched to the absolute max.

We have to have the capacity and we have to have new vessels.

• (1555)

[Translation]

Mr. Michel Guimond: You are bringing up many reasons.

To be clear, the tenant is Marine Atlantic S.C.C., and the landlord is a Swedish company. We have shipyards in Quebec and in Canada. For instance, the MIL-Davie shipyard in Lévis employs about 200 people. That is where the *MV Joseph and Clara Smallwood* was built. This means that we would certainly have the needed expertise to renovate and to upgrade both the ships that you are renting from the Swedes. You could have imposed conditions to Marine Atlantic S.C.C. to make sure that our economy got something out of it.

Instead, you will contribute to the economic prosperity of Germany with the money collected from taxpayers in Quebec and in Canada.

[English]

Hon. Rob Merrifield: No, that's not true at all. They would not have had the capability of being able to do this.

This is not just a minor retrofit of these vessels. These vessels had to be shrunk in size. They actually had a section that was taken out of them and put back together, so this is a major retrofit. It was as custom built as you could possibly make it, plus there was a significant amount of extra seating. Now, they might have been able to do some of the extra seating, but when we do a contract—this is a fibre contract for these vessels—for Marine Atlantic there are options to go further. It wouldn't have been in Canada's best interest or Marine Atlantic's best interest to have brought them over here and then do the retrofit here. It certainly was not something that could have been done in the time period that we had or the capability of doing these with this large a vessel.

[Translation]

Mr. Michel Guimond: My question is addressed to Minister Strahl.

The supplementary estimates will allocate \$587.1 million more to the Infrastructure Stimulus Fund. Is this new allocation due to the fact that you have received more requests for reimbursements from project proponents than were initially anticipated? Why do you want to have this additional \$587 million?

[English]

Hon. Chuck Strahl: Perhaps John would want to address that. On the specifics of the five hundred and—because I'm not sure exactly what that number represents. Basically, what we end up doing each year is allotting a certain amount of money for infrastructure, in this case the infrastructure stimulus fund. We're never sure because we never know for sure—for example, right now we have 1,300 projects out there that are completed that no one has given us any bills for yet. Until we get those bills, we don't know what they are. Each year you end up having to re-profile money to look after when that bill has actually come in. The allocation is set out in the budget. That is the amount that will be spent, but we just don't know when the bills will come in. There's an obligation on the proponents to get them in to us. But as I say, right now, there are 1,300 projects with no bills, so they end up having to re-profile this money.

John, do you have something specifically on the \$570 million?

Mr. John Forster (Associate Deputy Minister, Infrastructure Canada): Yes.

Part of the money re-profiled is from the statutory authorities given in the Budget Implementation Act from last year, so it's not part of your loaded supplementary estimates today. It has already been re-profiled and is there for information. Any money under the EAP funds that was not spent last year is being made available this year for proponents: the full \$4 billion under the stimulus fund, the full \$500 million under the top-up to the communities component.

The Chair: *Merci, monsieur Guimond.*

Ms. Ashton.

• (1600)

Ms. Niki Ashton (Churchill, NDP): Thank you, Mr. Chair.

My first question to the minister is this. Transportation Canada is conducting a review of aviation security. We were told that it was to be done by the fall of 2010. My question is, there obviously has been a delay, so why has that delay taken place and when will we see the report?

Hon. Chuck Strahl: I think Minister Merrifield has some comments, particularly on CATSA, I would think.

There are three things that are happening at the same time. There's a review of the aviation security system that needs to take place. There's the Air India inquiry and the recommendations that have come through that. Then there's the review of CATSA, our flagship security program. All those things are happening kind of simultaneously, and they're all coming together basically at the same time this fall. But it's almost impossible to deal with one without dealing with them all because of the linkages between all three of them.

Rob, do you want to add something to that?

Hon. Rob Merrifield: Yes, on the CATSA review, which we're doing, it's very close to completion. For the first time, CATSA had received, as a crown corporation, \$1.5 billion in Budget 2010. With that was also a commitment to do a review of the spending so that we're getting value for money and efficiency. So that's our goal. As I say, this report is due very soon, and we'll be moving forward on some changes, with the goal of making sure we have the proper security and the efficiencies within that security, so that security is not compromised but flowthrough and efficiency are accelerated. And we believe, from what I've seen in a preliminary way, that we will accomplish some significant changes and improvements to the airports.

Ms. Niki Ashton: My next question relates to an issue that I raised in the House, that certainly officials from Manitoba have been raising for some time, and that's with respect to the current need for federal involvement in the building of an all-weather road on the east side of Lake Winnipeg. You may have heard of the fatal cases of the flu that hit first nations on the east side. They have been linked to the third world conditions that exist in their communities, regarding which the chiefs most recently expressed an urgent need to invest in all-weather road access for a set of communities of 10,000 people, who are increasingly unable to access essential goods and services that obviously relate to their health, among other things.

When I raised my question in the House, there was some reference to commitments made to first nations in the current stimulus plan. Given that this is a real priority for Manitoba, as well for first nations, I'd like to hear from the federal government side on what the plans are for continued support for infrastructure when it comes to first nations. I realize INAC is part of it, but as I mentioned, you as minister were the one who responded to my question in the House three weeks ago. So I would like to hear from you as well.

Hon. Chuck Strahl: Thank you, and I appreciate that. Of course, in my former portfolio I was aware of this as well.

Manitoba has never given us a written proposal saying they want to make this their priority in Manitoba. I know they want to have something done to it, and don't we all, but the estimates that I've seen just from newspaper reports and so on say it's a \$1.4 billion proposal. And for Manitoba to do that, I would think they would have to make

that their one and only issue in Manitoba, as far as matching funds is concerned from the federal government and so on. They've never done that, and I understand why. It's just such an expensive project.

Everybody is hoping there is something that can be done. That's why we continue to peck away at it, improve the winter roads, do the other things that can try to improve access. But the truth is it's such an expensive project that it's never been able to work its way up to the top of the priority list, because there are so many things that need to be done in Manitoba and elsewhere. So it's an extremely expensive project. If it was to be the priority project for Manitoba, then they would tell us that, I suppose. They have not done that.

While we've had exchanges of ideas and so on, we've never had a written proposal on that. It's never been the number one ask. And for something of this magnitude, it would have to be their priority and they would have to almost do this in absence of almost everything else, because it is such a big project. It is so big.

● (1605)

Ms. Niki Ashton: I certainly appreciate the feedback. I would also say that these communities are dealing with flu outbreaks that are killing people year after year. We're talking about the value of lives, and lives that shouldn't be lost to the flu in a country like Canada.

I think we all know Indian Affairs gives a great deal of money towards a winter road system that is lasting less and less as a result of climate change. This situation, on the hands of the federal government is, I would argue, simply unsustainable in terms of the human cost. Perhaps we need to look at reallocating funds from the winter road system going towards a more permanent base, which I know certainly some first nations that are further along the planning stages have been talking about as well.

My final question is this. Mr. Merrifield, given the real concern that exists in rural and northern communities with respect to the lack of funding that trickles down to smaller post offices, which is resulting in cuts in service—I'm not saying the elimination of postal offices, but certainly the failure to replace retired workers, the inability to retain workers, the contracting out of positions that I can certainly say has resulted in the lack of mail delivery in communities that I represent, and I certainly echo concerns from rural and northern communities—I'd like to hear what kinds of commitments are being made by the government with respect to the support that Canada Post requires in delivering a service that is quite different in rural and northern Canada.

Hon. Rob Merrifield: That's a very good question. I appreciate it, because I come from a rural area as well.

When I first became responsible for Canada Post, we worked on a charter that locked in service obligations between Canada Post and rural Canadians—and all Canadians. So the commitment is there that it not be compromised. There is a moratorium in the charter on closures of post offices, particularly in rural areas, that they not close. There are some very small ones, because of fire or they can't find a postmaster who has it in a home. Sometimes they have to go through a procedure to engage the municipality and do everything they possibly can.

I can give example after example of how they have followed that charter to make sure the mail gets through in rural Canada and is not compromised. The service obligation should give you and all Canadians comfort to know that Canada Post sees their obligation to Canadians as an important part of why they are a crown corporation. They will continue to fulfill that. I see no attempt by Canada Post to compromise the service in any way.

The Chair: Thank you.

Mr. Jean.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

I'll be sharing my time with Ms. Brown, if that is okay with you.

First of all, Minister Strahl, I'd like to compliment you on your French. I noticed a sort of northern Alberta accent. I understood every word, so I was quite impressed by that. It's the first time I've heard a presenter use French that I could understand at the podium.

Hon. Chuck Strahl: That's not a good sign, necessarily.

Mr. Brian Jean: I would like to comment briefly on the green infrastructure fund. Maybe Mr. McCallum missed it, but it is actually a five-year program and not part of the stimulus package itself.

I want to compliment you. I heard from some Canadians, especially regarding the northwest transmission line, which is an investment in northern British Columbia. It was well received and is doing great things for cleaning up our environment, but also for investing in northwestern British Columbia. I understand that was an NDP riding, by the way.

I have also heard a lot of compliments on the Mayo B project—\$71 million under the green infrastructure fund. Indeed, the Government of Yukon is pursuing that. I understand it has taken a few communities off diesel and has a return on investment for Canadian taxpayers of somewhere around eight years just on delivery costs of the diesel itself.

My questions are more for Mr. Merrifield on Marine Atlantic.

Before I get onto that, I just want to say congratulations on the extension of the infrastructure deadline. That has been well received by the FCM and other groups. It is not only fair, reasonable, and flexible; it is also practical, being at the end of the construction season. I thought that was very smart.

Minister Merrifield, you mentioned that Marine Atlantic was on life support before our government came into power in 2006. Can you explain a little more about that system of life support? I have had a lot of input from people from Atlantic Canada, not just on the constitutional requirement of the constitutional service, but also other parts of Marine Atlantic and other parts of delivery in that area between the different provinces.

• (1610)

Hon. Rob Merrifield: Sure. It's not something any government would be proud of. When we first came into office, the on-time performance of Marine Atlantic was down around 10% during the summer months—peak time. That was because it was an older fleet that you couldn't rely on, and there was a lack of extra capacity to catch up. You're always going to have problems with weather,

delays, and so on; the people of Atlantic Canada understand that and have learned to live with it. But if you don't have any capacity to catch up and you have an old, deteriorating fleet, you are in serious trouble. They're on life support.

On top of that, there were onshore facilities that were depleting and becoming very run down. So with the dollars we got prior to 2010, we brought on the *Atlantic Vision*. Thank goodness. It's still not good, but it has brought service up to about 43% on-time during the summer. This summer was a little better than that, and they had record capacity of truck traffic this summer.

We still won't solve the problems of Marine Atlantic until we get new vessels. I never mentioned this, but we not only have two new vessels that have 40% more capacity in the belly than the *Smallwood* or the *Caribou*, but we also have the *Atlantic Vision*. It is a beautiful vessel that is very large and will be an impressive vessel for tourism out to Argentina. There is also the \$18 million retrofit of the *Leif Ericson*. The entire fleet of four vessels will be new or completely refitted. It is a massive undertaking to be able to put those dollars appropriately into Marine Atlantic and rebuild it.

The onshore facilities—their docks, terminals, ramps, equipment, and IT services—are all included in the dollars that will go to Marine Atlantic, so by spring.... We were talking at the beginning about a beautiful relationship between the government, Marine Atlantic, and the people of Newfoundland and Labrador and Atlantic Canada, to be able to facilitate what they need to move and grow forward, as far as the capacity demands for this service.

Mr. Brian Jean: Thank you.

Ms. Brown.

Ms. Lois Brown (Newmarket—Aurora, CPC): Thank you, Mr. Chair.

Minister, I too would like to say thank you very much for the extension. I sent a note to my mayors just after you made the announcement, and I got a message back from the mayor, Tony Van Bynen, from Newmarket, who said "Great news. Thank you." One of the projects they had undertaken and that was on track had come across some environmental difficulties that were unknown when the project was thought of, and this is going to give them some breathing room.

There was also a Facebook comment from one of my constituents, who is the executive director of the Newmarket Soccer Club, thanking me on behalf of the club. Once they got their project started, and as the dollars started to shift, they discovered some things they could do, which had not been part of the package, that would make a permanent facility for the soccer club. This is going to give the club some breathing room for their project to make some long-term decisions that will certainly put a permanent location in place.

Minister, you said that time doesn't allow you to talk about all the initiatives at Transport Canada. I wonder if you could expand on those initiatives you're undertaking. Is this part of the \$42.6 million?

Hon. Chuck Strahl: The \$42.6 million?

Ms. Lois Brown: Yes. I wonder what areas are being invested in with that \$42.6 million and if it's part of these initiatives.

Hon. Chuck Strahl: It's almost always safe to say that no matter what the federal government is doing in this department, they start off with the safety and security of Canadians as the number one priority, whether we're talking about the long-term investments on improving security systems at airports and other transportation systems, improved environmental outcomes for other modes of transportation, ship-to-shore power, the emission exclusion zones on both coasts, the new arrangements on the Great Lakes when it comes to improving air quality and emissions standards, and so on. We start with safety and security as our number one priority, and then we get into environmental concerns and trying to improve the outcomes there.

Of course, on the Infrastructure Canada side, it's already been noted that they've done stellar work on not only getting the money out the door as quickly as the bills come in—and we can't do it more quickly than that—but as the bills come in we get that money out *tout de suite*.

We do an incredible job of evaluating these projects right up to the last minute. All members of Parliament gave me their last-minute projects and asked if I could get this done in the last couple of weeks. Just to assure people, as long as they came in ahead of the cut-off, those projects are being considered. We still have a handful to give the yea or nay to.

So the allocation of the funding goes to everything from soup to nuts. But it starts out with safety and security. On the transport side it moves into environmental protection and improvements, and on the infrastructure side it's just simply trying to get this money out as quickly as possible and urging the provinces as we....

The only thing I would add to your earlier comments is that proponents who want to take advantage of this extension should be sure to look at the rules. This isn't just a blank cheque. You have to fulfill certain things to get the seven-month extension. You have to let us know about the project. So don't just show up on March 31 and hope for the best. Go on the website and get that done.

• (1615)

The Chair: Mr. McCallum.

Hon. John McCallum: Thank you, Mr. Chair.

I'm just going to follow up on one last question, and then the rest of the time will be taken by Judy Sgro.

I have a very simple question that I don't think you've answered. In the case of projects that were rescope or reduced in size because of the deadline, now that the deadline has been extended, will those people have an opportunity to go back to the original size?

Hon. Chuck Strahl: Projects are rescope for all kinds of reasons. It could be that somebody ran into a problem on an environmental issue and they just can't do the project as originally planned, or they may say they don't have enough money or enough time to do it. We've allowed them the flexibility to rescope it for any number of reasons, but just as we're not going to go back and revisit either the applications or the rationale behind them, we're not going to go project by project on the extension.

The extension is *carte blanche* and it affects whoever wants it, but the decision and the cut-off as to the projects that were selected is

also final. So whatever state they are in, as long as they have been approved they can continue. But we're not going to start another round of re-evaluation and rejigging of projects, because it's simply not possible.

We have thousands upon thousands of projects. So they are what they are. They don't have to have an excuse to extend the project for seven months, nor can we re-evaluate each project and say let's start with another application.

Hon. John McCallum: Thank you.

Judy.

Hon. Judy Sgro (York West, Lib.): Thank you, Mr. McCallum.

What is the criteria for some of these projects to get the extension?

Hon. Chuck Strahl: It's pretty straightforward. They have to have started the project. It's the shovels in the ground story; in other words, they have to have done some work on the project that has incurred some federal expenses. That's the first criteria.

They have to give us the bills to date, so by March 31 they have to let us know how much they've spent of the dollars we would be responsible for. We want to know the status of that particular project.

They have to give us assurance that it can be done in the seven-month period. They have to give us an attestation from an engineer that in his or her professional opinion the project can be done within that seven-month period, so we don't end up with the same problem by October 31 of next year. Then they have to give regular updates as to the progress on that, which they generally do anyway, but they have to do that during the extension period.

I think I'm leaving one out. John, could you complete the list for me?

Mr. John Forster: I was going to mention as well that it's posted on our website, so you can read it right there. All the provinces and municipalities are aware of it.

Hon. Judy Sgro: Until the Liberals did such a great job at pushing for an extension—I felt I had to throw that in, since it's been mentioned on all sides, so we'll just make sure everybody says the same thing—there were many municipalities that spent more money on projects than they probably would have because they were concerned about getting to that deadline and the firmness of it.

I would hope that created a few more jobs in the process, by keeping the feet to the fire. But how many projects are still on that list that you would predict are not going to be finished by March 31?

• (1620)

Hon. Chuck Strahl: I don't think we can predict what we—

Hon. Judy Sgro: How many do you have on the list you're currently looking at, which is what helped you to support the Liberal motion?

Hon. Chuck Strahl: I hear what you're saying about the Liberal motion, but certainly once all the data was in, it was clear there was a small percentage—and it really is a small percentage of projects—that might not get finished by March 31.

But for people to take advantage of it...this is self-selecting. Many people will say “I just want to get it done so I can turn my bills in to get paid.” They might do that, or they might say—and maybe the PRECO projects are a good example, in Quebec—“I'm all done. I just need to put the last layer of pavement down, and I'll do that in July when it's hot and it's easy to pave.”

Many of those projects are going to take advantage of it, but it's self-selecting. That's why I say I know it won't cost the taxpayers more. There's no more for the project. There's no more in the budget for it. What it does is give them freedom to make that choice.

There are responsibilities and obligations that go with it, so we still think the vast majority of projects will be done by March 31. But there's flexibility and fairness for those who want to and need it, and they can extend it for particular types of projects.

That being said, everyone agreed going in that we've got to get this done—it has to be done by March 31—and they all signed, with documentation from an engineer, saying they could. They promised to get this done. Unfortunately, for some of them, whether it be environmental problems or a union strike or who knows what, other things came up and they didn't get them done.

We're still satisfied that the overwhelming majority will be done by March 31.

The Chair: Thank you.

Monsieur Gaudet.

[*Translation*]

Mr. Roger Gaudet (Montcalm, BQ): Thank you, M. Chair.

Good afternoon, honourable Ministers.

Earlier, you mentioned maritime, highway and airport infrastructures. However, there is a type of infrastructure that you did not mention: railways and high-speed trains. Last weekend, I watched a television program on a national network. They were saying that in China, there is a high-speed train that runs at 486 kilometres an hour.

What is our future concerning high-speed trains according to the Canadian government? the country is big, and the cost of transportation—by air or by other means—is very high. How come we do not have a plan to cover this? If I remember correctly, and if I know the history of Canada, it is nonetheless that which allowed Canada to develop from sea to sea. How come we do not have a plan for a high-speed train and other things like that?

[*English*]

Hon. Chuck Strahl: Maybe I'll just answer. I know Rob wants to get into it as well.

I was on one of those trains that goes from downtown Shanghai out to the airport. It went 420 kilometres an hour. I'll tell you, that pins your ears back. It's an impressive train—or plane. I'm glad they didn't put wings on it, because the thing would have taken off.

In the last proposal that was put together in the 1990s to have a high-speed train in the Montreal to Windsor corridor, the estimated cost at that time was \$18 billion. We're working with the Province of Quebec right now to update that report to see where we're at today.

My fear is that the costs in a populated area are astronomically high. I don't know what to do about that. It's different in China. When they want a piece of land, they don't have to negotiate with the private landowner to get it, so their costs are different from ours.

The reality is that the one place in Canada where it makes the most sense is in the Montreal to Windsor corridor, and in that corridor just the land costs alone are astronomical.

We're working on it with the Quebec government and hope to have the feasibility study soon. That will include some updated numbers from the study from the 1990s, but you can be sure that the numbers will be awfully high. Whether it's affordable or not, we'll find out when the report comes in.

Rob.

Hon. Rob Merrifield: I know that the report on high-speed rail is yet to come in, and we'll see. But what is definite is higher-speed rail. We committed \$407 million in the last budget to major infrastructure. That's a little over \$1 billion in the last number of years for VIA or passenger rail.

A good part of the money is actually being spent in the corridor between Windsor and Quebec City, but particularly between Toronto and Montreal. The goal is to reduce by half an hour passenger train time from Toronto to Montreal.

This is actually very good news. The project is moving along aggressively. There is a little bit of time yet to get it done. There are some holdups because of exactly what we were just talking about—land acquisition, and so on.

It is proceeding, and not only is it going to be a faster speed, but we have a tremendous amount of investment, as part of those dollars, in refurbishing the actual trains, not only the engines but the cars themselves. So you'll be riding in not only a faster train—I don't know if it will pin your ears back—but one that will certainly be much more comfortable because of the refurbishing of the entire fleet.

● (1625)

[*Translation*]

Mr. Roger Gaudet: I agree with you, however, in 1995, it would have cost 18 billion dollars. This would cost even more if we waited for the year 2035. Perhaps it might be time for us to sit down and decide to launch the project and get it over with.

We invested money—I cannot say that it was invested haphazardly, because this money helped the economic recovery. Take for instance the automobile industry where we invested \$10 billion. These \$10 billion will yield large returns. It is the same thing as with the train. If we calculate the benefits for the environment we can see that as far as we are concerned, it would be viable in the long term. Of course, it would be expensive at the outset, but in the long run, I think that it would be very profitable for Quebec and for all of Canada. If we do not do this, there will be more trucks on the roads and more airplanes. Someday, we will be forced to make this change.

[English]

The Chair: *Merci, Monsieur Gaudet.*

Mr. Watson, the last three minutes are yours.

Mr. Jeff Watson (Essex, CPC): Thank you, Mr. Chairman.

This is a timely discussion on high-speed rail. It's interesting. What we do know, Ministers, is that we have heard expert testimony at our own committee that the construction of a high-speed rail line from Windsor to Quebec City will range anywhere from \$43 billion to \$50 billion, and there isn't a single high-speed rail line anywhere in the world that's profitable on an operational basis. We'll let you work through that testimony down the road at some point.

I appreciate the statement around DRIC and the continued importance of that project. I know that some will have speculated that because a lame-duck session didn't actually tackle the legislation, somehow this project will not come to fruition or is dead, as I think one particular person mentioned. I suspect that in the new year, as the new administration in Michigan is sworn in and there are new members, there will be renewed efforts. I presume that means you and your officials will be prepared to appear or testify, if necessary, to answer any questions, particularly for the newer legislators who will be coming in. I see heads nodding.

Hon. Chuck Strahl: Absolutely. In fact, I've had a couple of conversations with Governor-elect Snyder. He seems to be very keen on the project. I believe he is going to make it a priority in the spring session, and that's good news.

This is the project where all the approvals are in place. People shouldn't lose sight of that. People will throw other things up in the air and say, "What about this, and what about that?" We know for sure that the one project that is fully approved to go ahead is this one. This one is ready to go.

In my time in this ministry I've been impressed by the enthusiastic support from the American federal government—Secretary LaHood and Secretary Napolitano. Governor-elect Snyder seems to be very keen on it. He's quite sure that this project is good for Michigan and good for Canada-U.S. trade.

In this lame-duck session it was always a long shot, and we knew that. It's housekeeping; it's a big bill and they want to do it right, as they should. We've offered a briefing on what Canada is going to commit to it. We will not only pay for all of the infrastructure on our side of the border, but we'll also give \$550 million to Michigan to save them harmless on their side. Secretary LaHood has told me it will become one of their number one priorities once the Michigan legislature deals with it and passes it. He obviously can't do anything until they approve it, but he's keen on it.

It's a great project for all the reasons we know. Passenger traffic on that bridge is destined to double and truck traffic is destined to triple in the next 20 to 25 years. To not have another bridge is a fool's game. I think the Michigan legislature knows that as well. We just have to find the right formula to get that done.

• (1630)

The Chair: Thank you.

I thank our guests for being here today.

A notice for the members is that tomorrow our regular meeting will start at 11 a.m. and run until 1 p.m. Then we will have a two-hour meeting from 7 p.m. until 9 p.m., so keep your calendars clear.

Thank you, Ministers and officials.

Merci beaucoup.

The meeting is adjourned.

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