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**EVIDENCE**

**Wednesday, September 28, 2011**

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**Chair**

**Mr. Merv Tweed**



## Standing Committee on Transport, Infrastructure and Communities

Wednesday, September 28, 2011

• (1545)

[English]

**The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)):** I call the meeting to order.

Good afternoon, everyone. Welcome to the Standing Committee on Transport, Infrastructure and Communities, meeting number three. According to the orders of the day, we are examining the national public transit strategy.

Joining us today is Taki Sarantakis, assistant deputy minister of the policy and communications branch. I'll ask Taki to introduce the people at the table.

We welcome you. We understand and appreciate the fact that you had very short notice. We appreciate that you have come. We look forward to your presentation.

I believe members of the committee have copies of the presentation in French and English.

I'll ask you to begin and to keep your presentation to roughly ten minutes or less, and we'll go from there.

**Mr. Taki Sarantakis (Assistant Deputy Minister, Policy and Communications Branch, Infrastructure Canada):** Thank you very much, Mr. Chair.

I have with me today Mr. Francis Bilodeau, who is our director of policy at Infrastructure Canada; and Stephanie Tanton, who is our principal transportation analyst.

Again, thank you to the committee for the opportunity to speak with you here today. I'll just make some very brief introductory remarks so I don't cut too much into your time for questions. Basically I will focus my remarks on two aspects. The first is investments that Infrastructure Canada has made in infrastructure in public transit across Canada in recent years as well as key initiatives that were announced in the last federal budget, budget 2011.

Public transit has been and continues to be a key investment category under the programs that are managed by Infrastructure Canada, reflecting the fact that public transit contributes to a more prosperous economy, a cleaner environment, and more livable cities and communities across Canada. Since 2006 the Government of Canada has directly committed approximately \$5 billion towards public transit across Canada through its suite of infrastructure programs. This federal funding commitment has leveraged an additional \$7 billion from our partners, who are principally provinces, territories, and municipalities. So in total this been an injection of some \$13 billion into Canada's public transit network.

Through the Building Canada fund, the Government of Canada has made important renewal and expansion investments in transit systems that will last and provide benefits to Canadians for years to come. These include investments in the Toronto-York subway line extension, the Ottawa light rail transit project, the Evergreen transit line in Vancouver, and in the expansion of light rail transit systems in Edmonton and Calgary. In addition, Canada's touchstone public transit station, Union Station in Toronto, is receiving a significant revitalization through federal infrastructure funding.

Public transit was also an important investment category under the infrastructure stimulus fund. It was one of the largest investment categories in the infrastructure stimulus fund, which was in turn a key component of Canada's economic action plan. Some \$240 million, again from direct federal expenditures, went into public transit, which usually trebles the amount, so some \$700 million was injected into public transit.

[Translation]

In addition to the funding for specific projects, the Gas Tax Fund is also available to municipalities for public transit. Since 2006, municipalities have put approximately \$1.1 billion of their federal Gas Tax Fund allocations towards transit investments.

[English]

In fact several large municipalities, including Edmonton, Toronto, and Montreal, have dedicated the totality of their gas tax allocations towards public transit. Several other large municipalities, including Ottawa and Calgary, essentially do the same thing. So five of Canada's largest municipalities dedicate all, or virtually all, of their gas tax funding to municipalities.

Under the gas tax fund, provinces, territories, and municipalities have the flexibility to address their priorities as they see fit. This practice works well because it reflects the fact that public transit needs vary across Canada, and this is especially true of public transit.

Turning briefly to the second point, we just want to touch on the key commitments that were made in budget 2011.

First, budget 2011 announced that the Government of Canada would be legislating the permanency of the gas tax. This measure means that there will be long-term, stable, and predictable funding for municipalities to help meet their infrastructure needs, including their public transit needs. We expect that this legislation will be in the Budget Implementation Act very shortly.

Second, the Government of Canada has committed to work with provinces, territories, municipalities, the Federation of Canadian Municipalities, and other stakeholders to develop a long-term plan for public infrastructure that extends beyond the expiry of the current Building Canada suite of programs. In this context, in its consultations the government will be engaging not only with other levels of government but, as we mentioned, the FCM, the Canadian Urban Transit Association, and all other forms of stakeholders that are interested in this area in order to comprehensively examine Canada's infrastructure needs post-Building Canada.

With that, my colleagues and I will be very pleased to take your questions.

• (1550)

**The Chair:** Thank you very much.

Ms. Chow.

**Ms. Olivia Chow (Trinity—Spadina, NDP):** Thank you for taking the time to be with us today.

I have a report issued in October 2009 by the urban transportation task force. The task force report is called *Urban Transit in Canada: Taking Stock of Recent Progress*. This report brings together all different provincial governments, and Transport Canada is of course a partner.

I'm sure you're familiar with this report. It recommends a series of principles. It talks about provincial transit funding, federal transit funding, and municipal transit funding. It talks about looking ahead, about what kinds of expansion plans there would be, and historically what kinds of investment have taken place. Of course there has been an increase, as you said earlier.

It also takes a look at governance and key challenges. We know that no doubt there is a funding gap, and that some of the transit infrastructure, especially in big cities, is in decay. For smaller towns and communities, when they receive a bus, it really means that seniors and young people can then move around in their neighbourhoods.

The key recommendation is that "All levels of government need to work together to provide adequate funding to support transit, while respecting jurisdictional responsibilities." The report also talks about the importance of the movement of goods and people, and says that all governments should promote transit use.

One of the key areas the report talks about is the federal government taking a leadership role to bring all the provincial, territorial, and also municipal and transit authorities together to come up with a plan. I realize that Lawrence Cannon, the former minister, went to some extent, with your department, to begin to put together that plan. I believe former Minister Chuck Strahl also was looking at that. Perhaps you can describe to us where that initiative is in a putting together a national transit strategy.

**Mr. Taki Sarantakis:** Thank you. There were a lot of questions there, so I'll try to unpack a few of them.

Fundamentally, your first question, I think, is about leadership. In terms of leadership, I think the federal government has shown tremendous leadership, probably starting in 2000, in terms of transit infrastructure funding. There was a time in Canada when it was

completely unthinkable that the Government of Canada would be a partner with municipalities in their transit projects. I remember that when I was a student at York University in 1988 and they were talking about the Spadina subway extension—that's how long these projects take—it was unthinkable at that time that the Government of Canada would be a partner in a project like that. Well, not only is the federal government a partner in a project like that, but I think more and more it becomes unthinkable that the Government of Canada would not be a partner in a project like that going forward.

The way that the landscape has changed in a little over a decade has simply been remarkable. Again, that's really a credit to the fact that the infrastructure issue, public transit in particular, has risen up to the fore.

The second thing I would say is that in terms of the current suite of programs, public transit again in terms of funding tends to dominate. Of the Building Canada fund, of the major infrastructure component, some 40% of that has gone to public transit across Canada.

So in terms of leadership, I think it is very clear that the Government of Canada has been showing leadership in terms of financing. In terms of other kinds of leadership, that becomes a more difficult question. As you know, public transit is largely delivered through municipalities. There are some exceptions. Metrolinx in Toronto is a regional board run by the province. Generally speaking, though, municipalities run transit systems. To that extent, it's very difficult for the Government of Canada to engage in a comprehensive planning suite because the needs are very different across Canada.

For example, in Manitoba there are some 200 communities, and only four of those have transit. Each of those four systems has very different transit needs. The needs of a Winnipeg in terms of transit are very different from the needs of a Brandon in terms of transit. It is very difficult for the Government of Canada to try to impose a kind of uniformity.

So I think what the government has done is probably reflective of the nature of Canadian federalism, which is to say the government has shown leadership in funding and in financing, but it has not in turn imposed certain types of transit-specific measures that must be undertaken by provinces or municipalities.

• (1555)

**Ms. Olivia Chow:** I agree that one should not impose any standards; that's the last thing I would like to see. However, we all know that in order to build RT lines or any kind of infrastructure, it takes a long time. If there are no concrete plans, often it's very difficult for municipalities, and even provinces, to plan ahead. Many of these transit projects are massive in terms of dollar amounts.

Is that seven minutes gone?

**The Chair:** You have one more.

**Ms. Olivia Chow:** I didn't say billions, but I was going to say billions of dollars. We have such a heavy investment.

It's not that we need to dictate what the plan will be, but we at least need to have a plan agreed on by the provinces, municipalities, and the federal government, and then proceed with a 10- or 20-year plan. Then I think taxpayers would waste less money, because I've seen projects start and stop and start and stop, and you just end up wasting a lot of money. In fact it would allow urban planning for development to really take place.

Has there been any discussion on how that could occur in a systematic way, rather than it sometimes just happens and sometimes not? It's just very random right now, a very fragmented approach.

**Mr. Taki Sarantakis:** Typically the way the Government of Canada engages with the provinces and territories on infrastructure issues is on a bilateral basis. We tend to have talks between Canada and Newfoundland, Canada and Ontario, and Canada and Quebec. When we talk nationally, it becomes much more difficult. Again, transit is incredibly important to large urban areas, but there are large swaths of Canada that don't have very large urban areas, or parts of Canada where transit simply isn't salient.

If you look at Toronto, transit constantly ranks as one of the top issues. When you do polling in Toronto, transit and transportation is always, if not at the top, very near the top. That tends to be unusual outside the top ten cities in Canada. Once you leave the top cities in Canada, that drops off dramatically. Transit in these areas is something that people basically don't even think about in their daily lives.

Last week I was in Nunavut. And in Nunavut, I can tell you, there is no public transit. In Iqaluit there is a series of cabs. Outside of Iqaluit there are another 24 communities, and there are not even cabs. So it's very difficult for the federal government to talk about transit on the whole across Canada.

That being said, the Government of Canada has done some things nationally. We have talked about funding already.

The second thing the government has done is to put in some money for ecoMOBILITY, which is very important in the sense that it's helped to make the transit we do have a little more accessible for people.

Moreover, a few years ago, when there were some unfortunate incidents in London with respect to transit, where it appeared there was going to be a terrorist attack on a public transit system, the government provided transit security funding.

The other thing the Government of Canada has done—and I imagine it's something a lot of Canadians have taken advantage of—is that it's provided tax deductibility for transit passes when someone buys a one-year pass, as opposed to buying tickets.

On the whole, these things are salient across Canada. All of the things I just mentioned, to the extent you have a transit system, show a good, constructive role for the federal government to play.

On the flip side, when you start talking about planning, that has different meanings to different people. So I appreciate that when you say “planning”, you mean one set of things, but other people hear a different set of things. They hear “imposition”, they hear “transit share modes”, they hear “mandatory land use planning”, etc.

● (1600)

**The Chair:** I'll have to stop you there, but I appreciate that.

Monsieur Coderre.

[*Translation*]

**Hon. Denis Coderre (Bourassa, Lib.):** Thank you Mr. Chair.

I also want to thank the witnesses for joining us.

Of course, I read your document carefully for semantic reasons.

What has been done in Quebec, in Montreal? Things are going well in Toronto, Ottawa and Vancouver, and I'm quite glad, but what about Montreal?

**Mr. Francis Bilodeau (Director, Policy, Policy and Communications Branch, Infrastructure Canada):** Under federal programs, the government has invested about \$44 million in public transit projects in Montreal since 2006. The Infrastructure Stimulus Fund provided \$19 million and the Public-Private Partnerships Fund provided about \$24.73 million.

One of the key projects is the Lachine Maintenance Centre, which is covered by the P3 Canada Fund. A few projects were carried out under the Infrastructure Stimulus Fund. Approximately \$112.25 million were set aside for Montreal public transit, under the Gas Tax Fund.

**Hon. Denis Coderre:** What portion of the \$240-million amount invested in the Infrastructure Stimulus Fund is going to Quebec?

Was the \$240 million the total investment envelope in Canada?

**Mr. Taki Sarantakis:** Quebec's portion of the Infrastructure Stimulus Fund was about \$1 billion.

**Hon. Denis Coderre:** A billion dollars for everything?

**Mr. Taki Sarantakis:** Yes.

**Hon. Denis Coderre:** Okay.

[*English*]

**The Chair:** Excuse me. Have we lost translation?

**Hon. Denis Coderre:** Now you know how I feel.

**The Chair:** You were involved in the conversation.

That's fine? Thank you.

**Hon. Denis Coderre:** It's my voice, not my words.

**The Chair:** Go ahead.

**Hon. Denis Coderre:** Okay.

[*Translation*]

Clearly, we're talking about the future. Public transit is not just a matter of use; it is also a matter of relationships. We have to reinvent leadership and partnership through what I refer to as direct contact. We must establish a new relationship with municipalities, especially the major cities, while respecting jurisdictions.

I know you are currently negotiating phase two of the Montreal metro renovation program. If memory serves me right, that should come up to about \$150 million. Could you clarify what kind of a relationship the Canadian government and Montreal have as far as that project goes?

**Mr. Taki Sarantakis:** We usually don't negotiate directly with Quebec's municipalities. We deal mainly with the Government of Quebec. According to the terms of the framework agreements negotiated by the Government of Canada and the Government of Quebec....

**Hon. Denis Coderre:** I am familiar with the Constitution and the programs.

**Mr. Taki Sarantakis:** No, we're not talking about the Constitution.

**Hon. Denis Coderre:** I just want to know the outcome. What is happening with phase two of the Montreal metro renovation program? I know that refurbishment work is planned. The negotiations have not slowed down, and the work is imminent. Has an agreement on the second phase of funding been reached?

• (1605)

**Mr. Taki Sarantakis:** I am not directly involved in those projects, but I could provide you with that information.

**Hon. Denis Coderre:** I really liked my colleague Olivia's question about leadership and partnership. I want to get back to that, for our committee's benefit.

You say that you have bilateral agreements with Ontario and Quebec, for instance, but you also talked about the Federation of Canadian Municipalities. This area is of course everyone's responsibility, but what are you doing, while respecting jurisdictions, to strengthen this partnership? That began under Paul Martin's leadership, with the gas tax, which eventually became permanent. Aside from that money, what tangible actions in terms of discussions, partnerships and visions—an urban planning action plan must be put forward, and so on—are being taken to bring everyone to the same table? What role is the federal government playing? Does it just provide the money or does it play a larger role?

**Mr. Taki Sarantakis:** The Government of Canada's role varies according to the current government's objectives. Now we negotiate directly with the provinces. The Government of Canada rarely negotiates agreements with municipalities, except when the province is okay with it.

The Constitution clearly states that the municipal sector comes under provincial jurisdiction, and the Government of Canada respects jurisdictions.

**Hon. Denis Coderre:** Public transit is extremely important. In addition, you must not only assess the current infrastructure, but also repair it.

So, do you have in your notes a concrete answer about the future of the Champlain Bridge and the public transit affected by it? Do you have anything to announce today?

**Mr. Taki Sarantakis:** Unfortunately....

**Hon. Denis Coderre:** Do you have any assessments?

**Mr. Taki Sarantakis:** I am not directly involved in the Champlain Bridge project.

**Hon. Denis Coderre:** Aren't you in charge of communications and policies? You have surely conducted a policy evaluation so that you can talk to the Federal Bridge Corporation Limited representatives.

**Mr. Taki Sarantakis:** No, to tell you the truth, that is handled by Transport Canada. We are part of the same portfolio, but I am the Assistant Deputy Minister of Infrastructure Canada.

**Hon. Denis Coderre:** So it's the same portfolio, but not the same pocket.

**Mr. Taki Sarantakis:** Exactly.

**Hon. Denis Coderre:** How much time do I have left, Mr. Chair?

[English]

**The Chair:** You have one minute.

[Translation]

**Hon. Denis Coderre:** Fancy that! I have never had this much time, ever.

At the federal level, you probably work with Environment Canada and others. Do you also work with universities? I assume that you do more than just provide funding. In terms of R&D, do you work, for instance, on the electric car and similar projects?

**Mr. Taki Sarantakis:** At Infrastructure Canada, we have a small research program that works with universities and colleges.

**Hon. Denis Coderre:** How much?

**Mr. Taki Sarantakis:** I think it's \$40 million in Quebec alone. In addition, for each jurisdiction, we can earmark 1% of the infrastructure money available for the research sector. However, that money is not used very much, since the demands for capital construction [*Editor's note: inaudible*].

**Hon. Denis Coderre:** Thank you very much.

[English]

**The Chair:** Thank you.

Mr. Albas.

**Mr. Dan Albas (Okanagan—Coquihalla, CPC):** Thank you, Mr. Chair. I have just a quick question.

I appreciate your being here today and your presentation.

I understand that Infrastructure Canada has already funded a lot of public infrastructure projects. How else can the government help municipalities customize infrastructure to make sure it meets their current needs?

**Mr. Taki Sarantakis:** I think the situation in every municipality is unique and the municipalities are best placed to answer those questions.

Generally speaking, what the Government of Canada looks at when transit infrastructure projects are proposed is essentially whether it is a reasonable project: are you overbuilding or are your modal share projections realistic? One of the characteristics of public transit is that it's very, very capital intensive, so to the extent that it's already so capital intensive, you don't want to be overbuilding infrastructure, because the more you overbuild, the harder it is for you to maintain that going forward.

But again, ultimately the answer to your question varies by municipality.

**Mr. Dan Albas:** Thank you.

**The Chair:** Okay.

Monsieur Poilievre.

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** I'd like to talk a little about the percentage of public transit costs that is financed by fares. I'm wondering, Mr. Sarantakis, if there is a generally accepted ratio of cost recovery by fares that is considered to be the threshold for a good investment.

• (1610)

**Mr. Taki Sarantakis:** There are two parts to your question: the first is operating and the second is capital.

In terms of operating, generally speaking across Canada, the fare recovery tends to be 50%. Some are better and some are worse. Toronto's TTC actually has one of the best cost-recovery rates in all of North America. I believe they're in the high 80% range, but that's unusual. Most are at 50% or below.

That's on the operating side. The second part has to do with capital, and virtually no transit lines recover their capital costs. So to the extent that transit lines get built, whether they get built with federal funding, provincial funding, or municipal funding, they entail large public subsidies.

If you can recover more than 50% of your operating costs, you tend to be doing well.

**Mr. Pierre Poilievre:** Is there a way to use basic and generally accepted accounting principles to amortize capital costs and determine what the recovery rate is?

I know that you're not going to recover 100% or anywhere near it on capital costs, but just in terms of having a financial model to determine the viability of a given project and to have an accepted threshold of recovery that determines whether or not a project is worthwhile, is there any sort of formula that incorporates operating capital and then devises a recovery rate based on the total investment?

**Mr. Taki Sarantakis:** I'll flip your question around a little and answer it this way. If you were to look at public transit strictly from an economic point of view, there wouldn't be any public transit.

**Mr. Pierre Poilievre:** No, no, that's not my question.

**Mr. Taki Sarantakis:** I know—

**Mr. Pierre Poilievre:** I'm not suggesting that we should only invest in things that are profitable.

**Mr. Taki Sarantakis:** I know. Right, but I was—

**Mr. Pierre Poilievre:** I'm just saying that there has to be a benchmark to determine a recovery rate that is viable and one that's not.

**Mr. Taki Sarantakis:** Right. The benchmark tends to be what a community is willing to bear for that service, because transit is not only a means of transporting people back and forth; it's also a means of developing your community. So you tend to—

**Mr. Pierre Poilievre:** I understand the intangibles of it. I'm just wondering if there is a way.... You said that on an operating side the average is about 50%. You also said that public transit is very capital intensive. I'm just wondering about it. One of the things that would help us in that consideration, as legislators and politicians who consider these investments on their merits, is if there were a sort of acceptable recovery rate on capital and on operating.

**Mr. Taki Sarantakis:** In the past we did do a capital cost-benefit analysis on transit projects.

**Mr. Pierre Poilievre:** Okay.

**Mr. Taki Sarantakis:** As you could expect, they were all negative. So the question was, to what extent were the other non-economic benefits greater than that? The short answer is that because the returns are always negative, you can't have a positive negative return, if I'm explaining that properly.

**Mr. Pierre Poilievre:** Well, see, if you amortize the capital costs over a certain period of time, you therefore determine the annual cost of running a public transit system operating on amortized capital, and then you take the portion of that cost recovered from fares—there should be some, even if it's a very small number, maybe 10% or 15%....

I'm just wondering if there's any accepted fare recovery threshold that determines whether something is or is not a good investment.

**Mr. Taki Sarantakis:** To my knowledge, no. Sorry.

**Mr. Pierre Poilievre:** Okay.

Ms. Chow seems to have a different point of view on that. Anyway, I think that concludes my question.

I think we do have to look at the financing and the recovery rate, because one of the indicators of the value and use of a public transit investment is what people are prepared to pay and how many people are prepared to pay it. If there are a lot of people who want to pay it and they're prepared to pay a fair amount of money to do so, then that probably indicates to us that it's a good investment.

In the case of the TTC, they have a high recovery rate because it is an essential public transit system that works well and serves people properly. We have an indicator there of a successful investment. I'm just wondering if we can start to systematize that as we consider future investments.

• (1615)

**The Chair:** That wraps up the first seven minutes.

We have an opening for seven more minutes on this side. I know that Mr. Albas has another question.

**Mr. Dan Albas:** Yes, if I may, Mr. Chair.

It has to be extremely difficult to develop a national policy when you're dealing, as you've said, with so many jurisdictions and so many different circumstances. I come from a rural community, and a highway is our national transit policy. We're just happy to have a highway.

So how do you blend them or how do you make it so that everybody's satisfied? How do you make it so that taxpayers are satisfied paying for infrastructure that may not necessarily serve them? Is there a formula or a process that you use?

**Mr. Taki Sarantakis:** Well, on the formula, what the government has chosen to do over the last decade or so—again, in different manifestations—is to create omnibus infrastructure programs. Instead of saying that we're doing a program for public transit, a program for water, or a program for cultural centres, the government has basically created programs that allow communities to access funding for all of those things.

In some communities their priority is water; they haven't dealt with their water systems. In other communities their recreation centres are not in good shape. In other communities it's transit. As I've said, in the Building Canada fund, 40% of the money for the large component has been accessed for transit.

Basically, the Government of Canada has been able to allow communities to make those decisions for themselves, as opposed going to Nunavut or Prince Edward Island and saying “Tell us what your transit strategy is so we can incorporate it into a national framework”.

**The Chair:** Mr. Albas? I did add that time.

**Mr. Dan Albas:** Thank you, Mr. Chair. I appreciate that.

I'm also appreciative of your earlier answer about municipalities and making sure that proposals are reasonable. One of the cities in my riding already has a large increase in its budget for public transit. We would hate to see overbuilding in an area leaving a municipality on the hook for its operating budget.

My question actually relates back to how we've seen significant investments in public infrastructure. In fact, in my understanding, a lot of these investments we've seen are historic. Can you tell us how much has been committed to public transit over the past five years?

**Mr. Taki Sarantakis:** Yes. Over the last five years, the Government of Canada has directly provided \$5 billion in program expenditures. It has provided another \$1.1 billion through the gas tax, which, as I mentioned earlier, the municipal sector accesses on its own. That's over \$6 billion in direct federal funding, and that in turn has leveraged some \$17 billion to \$18 billion in investments in public transit across Canada.

**Mr. Dan Albas:** How does this level of investment compare to what was provided pre-2006?

**Mr. Taki Sarantakis:** Prior to 2006, the main funding instrument for transit was the Canada Strategic Infrastructure Fund. That fund in total had about \$4.3 billion, and I believe about \$1.5 billion of that went towards transit. So the quantum is significantly higher today.

Prior to that period, there was virtually no funding of public transit historically by the Government of Canada. The Government of

Canada basically started entering into public infrastructure in transit in 1993.

**Mr. Dan Albas:** Thank you, Mr. Chair.

**The Chair:** Mr. Nicholls.

[*Translation*]

**Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP):** According to the report Ms. Chow mentioned, in 2009, Quebec's transport agencies wanted to increase services by 20% for the period from 2009 to 2012. The Quebec Ministry of Transport (MTQ) projected investments of \$3.3 billion for that period.

How much money has the federal government provided and for which specific projects?

**Mr. Taki Sarantakis:** I don't have the data on hand, but I am almost certain that the gas fund was involved. If we can find out anything else, I will let you know after the meeting.

[*English*]

**Mr. Jamie Nicholls:** *D'accord.*

I have some follow-up questions.

First, big cities need a special framework to decide on their projects. They're not the same as small municipalities. Do you think a framework of all the government players would result in more strategically targeted transit projects rather than...? As you mentioned, the engagement is usually bilateral, federal-provincial. Wouldn't it be useful to have the mayors of big cities along with the federal and the provincial planning together for transit strategies?

• (1620)

**Mr. Taki Sarantakis:** To the extent that provinces are comfortable with that, we do obviously engage large-city mayors. In fact a lot of our public transit investments, just by their nature, have gone to big cities. The largest public transit projects on our books are Toronto, Ottawa, Vancouver, Calgary, Edmonton. Those are Canada's five largest cities, and each of those cities has received a very substantial investment in their public transit.

Again, those are projects that originated with those cities. They come forward as local priorities. They don't come as a result of the province and the federal government sitting together and saying, “You have to come up with a transit project for us to fund”.

**Mr. Jamie Nicholls:** But often the funding that is needed is insufficient for what the city itself wants to realize. Is there any sort of framework we could give such that the federal government could be there to listen directly when the plans are being made and to intervene and say, “Well, the funding is just not there for your vision”?



**Mr. Taki Sarantakis:** The funding is pretty public in terms of what the federal government can bring to the table. Our primary funding instrument is the Building Canada fund. The Building Canada fund has a specific allocation per province. Then, as I said, we negotiate on a bilateral basis with those provinces in terms of their specific allocation.

In the context of those discussions, I can tell you that large cities have no difficulty in bringing forward their proposals. So it's not a question of us not being aware of what Calgary would like or what Edmonton would like, or Ottawa. Those mayors tend to be very forceful in bringing forward those priorities. So we know both the priorities and the funding envelope that's available to deal with those priorities.

[Translation]

**Mr. Jamie Nicholls:** Small municipalities are another consideration. My riding is made up of 23 municipalities, which are mostly small towns. Our most important infrastructure is the highway. I have nonetheless spoken to representatives of local agencies, who said that they thought the demand was there, but that the bus service was not frequent enough.

In addition, they want to implement new technologies, special buses. However, provincial and federal regulations stand in the way of acquiring new innovative technologies, such as the mini-buses used in Europe or shared taxis.

Where do those hindrances to acquiring innovative technologies come from?

Is there a way to develop a shared approach or a common strategy between the provinces, the federal government and the municipalities to promote best practices in public transit?

**Mr. Taki Sarantakis:** I am not an expert on bus regulations. Provinces are supposed to regulate the acceptability of certain types of vehicles. Honestly, that matter comes under provincial jurisdiction.

**Mr. Jamie Nicholls:** Then....

[English]

**The Chair:** I have to stop you there.

Mr. Richards.

**Mr. Blake Richards (Wild Rose, CPC):** Thank you, Mr. Chair.

I appreciate the opportunity to hear from you today and your being here to take our questions.

I've always kind of favoured the type of model we have under the gas tax fund when it comes to public infrastructure. I think when we're dealing with that it allows municipalities to have that long-term, predictable, stable type of funding they can plan around so they're not trying to find ways to fit in this particular program or that particular program. They know that they have the funding there and that they can rely on that funding. They know about how much it will be each year, and they can make their plans based on the priorities that are important for their particular municipality.

Obviously, as you indicated in your opening comments, that's exactly what has taken place with that gas tax funding. You mentioned, in particular, that when we talk about public transit,

which is obviously our focus here today and with the current study, that since 2006 municipalities have used approximately \$1.1 billion of their federal gas tax fund allocation towards transit-related investments. You also mentioned that there are several large municipalities—I think you mentioned Vancouver, Edmonton, and Toronto—that have all dedicated their entire gas tax funding allocation to transit investments.

I'm wondering if you can give me a little bit more information about the projects that were funded in those three cities with their large dedication of gas tax funds towards them, and if you can give me some other examples of projects that were funded through the gas tax in various municipalities across the country.

• (1625)

**Mr. Taki Sarantakis:** The gas tax funding tends to go towards their core existing systems. So in Toronto, for instance, the vast majority of gas tax funding that went to transit would go to the existing operations of the TTC. Some of that would be split between funding for subway lines and funding for bus purchases. The same thing would be true for Evergreen and the SkyTrain system, etc.

The non-gas-tax funding tends to be much more project-specific. So when you have funding under Building Canada, you would actually see a new project, because Building Canada tends to be for new projects.

The gas tax fund, while it can be used for new projects, tends to be for existing systems that are already in operation. So that \$1.1 billion would have gone largely to existing transit networks.

**Mr. Blake Richards:** So you're talking essentially about the bulk of that money being operational.

**Mr. Taki Sarantakis:** It's not operational, but it augments the existing services. So, for instance, by buying more buses, you're expanding the scope of your service reach by improving your track network if you're working on a subway, but it's not as delineated a project as a typical Building Canada project would be.

**Mr. Blake Richards:** Okay, understood. So you're talking about adding buses or—

**Mr. Taki Sarantakis:** Yes, it tends to be improving existing services.

**Mr. Blake Richards:** —improving a station on a line, or something along—

**Mr. Taki Sarantakis:** It's still capital funding.

**Mr. Blake Richards:** Okay, that's great, and that's important, right?

I see Edmonton mentioned as one of the cities in there. I'm from Alberta, and obviously we've seen huge growth over the last decade or so.

Being able to see expansions of existing systems, which sounds exactly like what we're talking about here, is obviously very important when you're dealing with growth. I don't represent any large centres—I represent smaller centres in a rural riding—but the types of funding that have been put there are essentially for the same kind of thing, to meet the demands of growth. So I'm glad to hear that's what has been happening with that funding.

You mentioned the larger capital projects as well. More of those were funded under Building Canada. Obviously some of them would have been funded under the economic action plan as well, I'm sure. I wonder if you can give us some examples. I think you did give us a couple of examples of some of the Building Canada fund projects. You mentioned one in Edmonton and one in Calgary for the expansion of their light rail systems. Maybe you could start with those two just because they're in the province I come from, but I would be interested in hearing from you details on some of those projects that were funded under Building Canada, and maybe you could give me some examples of projects that were funded through the economic action plan as well. I would appreciate that.

**Mr. Taki Sarantakis:** Terrific. Specifically in Edmonton and Calgary, both projects have gone towards extensions of rapid rail, so it's the heavy rail in Calgary and Edmonton.

In terms of other keystone projects that have happened across Canada, the largest single one has been Toronto's York subway extension. As I mentioned earlier, it has been under planning of one sort or another for some 20 years. Kitchener-Waterloo is also in the process of doing light-rail transit, and we have Brampton, York Region, and Mississauga.

In terms of the infrastructure stimulus fund, a very good example of the type of thing that was done in transit is actually almost right outside this door. On the transitway downtown, you'll see Slater and Albert Streets. The City of Ottawa applied for and received funding to improve all of its bus stops on the BRT corridors, which has made it not only a lot more efficient but actually a lot safer. If you look at them now, you'll see that there are actually real stations there. There are also barricades so that people are not jumping in front of buses in blind spots and things like that.

That's a very good example of what you do under the economic action plan: something that's relatively small and quick to get going but that provides real benefits to the city and to users.

• (1630)

**The Chair:** Thank you.

Mr. Sullivan.

**Mr. Mike Sullivan (York South—Weston, NDP):** Thank you, Mr. Chairman.

One of your responses suggested that the differences between different sizes of communities gives them the opportunity to determine whether or not it's a water infrastructure project they need versus transit infrastructure or some other infrastructure project.

My concern, then, is that if there's a kind of equalized distribution of the money, those communities that need transit infrastructure won't get it. Everybody needs water projects, but not everybody needs transit projects. How do you determine how to allocate the money in such a circumstance?

**Mr. Taki Sarantakis:** I'm sorry if that's the implication I left, because that isn't what I was trying to communicate. What I was trying to say is that each municipality, regardless of whether it's large or small, has a basket of infrastructure assets, and some of them are better maintained than others.

Some municipalities have been very diligent in maintaining their water and their waste water, but less so on their recreation centres. In other municipalities, it's the inverse: they have very good roads and good community centres, but they haven't been treating their waste water as responsibly as they could or should.

So it's not so much a question of whether you're big or small: it's a question of what needs you have in your community.

**Mr. Mike Sullivan:** My point is that if it's all one big infrastructure dollar, different communities, of necessity.... All of them have similar needs when it comes to waste water, community centres, and potable water, but not all of them, as you freely admit, have a transit need. In deciding how the money is distributed, do you actually make allowances—which the gas tax doesn't do—that a city like Toronto would need proportionately considerably more money because it has a public transit need?

**Mr. Taki Sarantakis:** Absolutely, and actually, the gas tax is allocated proportionate to their population.

**Mr. Mike Sullivan:** I know. My point is that because it's allocated proportionately, a community that has no need for public transit is getting the same relative number of dollars as a community that does have a need for public transit.

**Mr. Taki Sarantakis:** Right, but they can direct that money to their other infrastructure needs. That's the nature of the omnibus programming that I described earlier: it allows each community to bring forward their priorities and to deal with them.

Let me give you another example. Wharves and harbours are an eligible investment category under Building Canada. That doesn't mean anything if you live in Saskatchewan and it doesn't mean anything if you live in Alberta, but it means a lot if you live in Atlantic Canada.

So instead of having a funding program where we're distributing across Canada a wharves and harbour fund that means nothing to other pockets of Canada outside of the coasts, we have omnibus infrastructure programs that allow people to access those same dollars for their own infrastructure requirements. We recognize that they're different across Canada.

**Mr. Mike Sullivan:** I guess my point was that there's a base infrastructure of water, light, and heat that every community has. These are the base infrastructure of a community, but the larger the community, the more likely it is that the community will also need a public transit infrastructure on top of that base. If all you're doing is distributing on an even basis a gas tax or some similar proportional amount of money, you can't deal with that difference.

**Mr. Taki Sarantakis:** I see your point, but that difference has been largely made up through the accessing of the non-distributed funding, which is the Building Canada fund. The Building Canada fund is allocated per province, but not per municipality. The gas tax is different.

**Mr. Mike Sullivan:** Right.

**Mr. Taki Sarantakis:** It's allocated per province and then suballocated by municipality. So there are two different funding instruments.

**Mr. Mike Sullivan:** So the second funding instrument, then, in addition to the gas tax, would cover those big community and small community differences?

**Mr. Taki Sarantakis:** Right—

**Mr. Mike Sullivan:** Okay.

**Mr. Taki Sarantakis:** —and all those large transit projects that I mentioned earlier are coming from that second pot of money.

**Mr. Mike Sullivan:** So in the second pot of money you said that you do have some discretion, and you exercise that discretion. So if somebody is overbuilding... Let's say they're building a subway to pasture land in Vaughan, for example. You would suggest that maybe that's not a good way of spending your money.

You don't want to overbuild. You don't want to build a transit project that is just way too extravagant for the size of the community or the need you would determine, so you would have some say in choosing which ones you get to pick.

• (1635)

**Mr. Taki Sarantakis:** Well, the federal government approves all projects, so yes, all projects go through an assessment and a review process. But generally speaking, we don't see a lot of overbuilding, because one of the things we try to do is ensure that all of our projects are cost-shared.

To the extent that a municipality has to put up a third or 50% of the cost and a province has to match that with us, it tends to bring the focus into greater reality. If we were providing free infrastructure, so to speak, then yes, they would build in those pastures to nowhere. But because not only do they have to put up money themselves, they also have to convince the province to put money into it, it tends to regulate that.

**The Chair:** Mr. Toet.

**Mr. Lawrence Toet (Elmwood—Transcona, CPC):** Thank you.

I have a couple of questions. You talked about how the gas tax gives us a flexibility in the work that we're able to have done, and you said that public infrastructure needs vary across Canada, including public transit needs.

I also wonder if you could comment on this fact. Are there not also different needs they face as far as structural challenges are concerned in relation to location, other centres, their current infrastructure, and the layout of the particular city or town? There are unique and challenging physical landscapes and also unique and challenging climate issues. How do all those unique items in and of themselves create a challenge to the possibility of a national public transit strategy?

**Mr. Taki Sarantakis:** The greatest single issue that ties all of those things together is population density. In Canada we have probably six or seven major metropolitan centres with population densities that approach European population densities. In turn, those are the communities where you tend to find first-rate transit: the Torontos, Vancouvers, Montreals, Calgarys, and Edmontons. Outside of those, the population density in Canada drops dramatically.

When you don't have good population density, you tend not to have good public transit, because public transit really is a means of

mass transit, and mass transit really depends on bringing a large population to a downtown core and then returning them. If you don't have that population density, public transit isn't necessarily your best option.

**Mr. Lawrence Toet:** Right, so you end up with a really diverse need, because there also is need for transportation within those smaller centres.

**Mr. Taki Sarantakis:** Exactly.

**Mr. Lawrence Toet:** So how do you end up dealing with those needs in conjunction with the needs of the larger centres?

**Mr. Taki Sarantakis:** Again, by allowing those proposals to float up from the bottom as opposed to being dictated from the top.

In a lot of communities their public transit could be as simple as buying a couple of small buses and running them in the morning and in the afternoon, not throughout the day. Or it could be as simple as just servicing a local attraction, be it a mall, a city hall, or a library. The needs vary. I think there are close to 5,000 communities in Canada. They range from small hamlets, villages, and townships of a couple of dozen people to our largest city, the city of Toronto, which, in the GTA, is about five million people. Obviously they will have not only very different infrastructure needs but very different transit needs as well.

**Mr. Lawrence Toet:** As a follow-up to that, in one of your responses you also talked about costing. As far as the costing goes, a lot of it has to do with what a community is willing to bear.

**Mr. Taki Sarantakis:** Yes.

**Mr. Lawrence Toet:** Based on some of your experiences, could you just expand on that a little for us? Could you expand on that divergence in what communities are willing to bear?

**Mr. Taki Sarantakis:** Again, there's no public transit system in North America that recovers its capital costs. So every single public transit project, from an economic point of view, is not viable and needs to be subsidized. If you're entering into subsidies, it automatically means you're dedicating some tax dollars for that purpose that will go to no other purposes. So again, in some communities they're willing to bear that cost, because that cost provides other benefits; it creates a more vibrant downtown or allows them to service land at the outskirts that they wouldn't otherwise be able to access easily, etc.

So to the extent that every time somebody gets on a bus in Canada, their local municipality is subsidizing one-half of their fare on average, that's an important thing. It means that the community has said that not only are they willing to bear the totality of the capital costs but are also willing to subsidize each trip, because it's important to them. It's important for accessibility, as a lot of people cannot afford cars. It may be important for land planning. It might be important as a commitment to cleaner air.

The answer really varies by municipality.

•(1640)

**Mr. Lawrence Toet:** What about the variation in the actual costs they're willing to bear? You used a figure of 50%. In the projects you've been involved in, what is the variation in what municipalities are willing to bear? Are we talking about a range of 25% to 75%? What are the differences? Could you cite some examples for us?

**Mr. Taki Sarantakis:** With Toronto, as I mentioned, its cost recovery tends to be in the high 80s, I believe. So when Toronto builds the Toronto-York Spadina subway extension, if that follows the pattern of the rest of its system, Toronto will be subsidizing about 15% of the cost of that operating service. Over time, I'm not sure exactly what the operating costs would be of that line, but they are relatively significant, in that a subway line carries a lot of people. So the annual appropriation that will have to go from the City of Toronto to the TTC will increase as a result of that project.

I can get you the figure afterwards. I'm sorry, but I don't have it off the top of my head. But again, the larger ones tend to be above 50%. So the Torontos, Vancouvers, and Montreals tend to cost-recover more than 50%.

**The Chair:** Thank you. If you have any documents, if you send them to me through the clerk we'll certainly see that they get distributed.

Ms. Morin.

[*Translation*]

**Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP):** I heard you talk about major urban centres like Montreal. You feel that they are the most profitable municipalities. I am wondering about that. In fact, two weeks ago, we found out that the Société de transport de Montréal had changed its zones so that constituencies like mine—in suburban Montreal—would have to pay more, since the STM is low on money.

On a different note, many projects will affect a number of municipalities. You say that municipalities must put up about a third of the total amount, and that the federal and provincial governments must each provide a third as well.

How would the cost be divided for a project affecting some 40 municipalities? Would it be proportional to the number of people living in those municipalities?

**Mr. Francis Bilodeau:** Usually, in terms of allocating costs for a municipal project, the federal government pays a third of the cost. The province would also be expected to pay a third, as would the municipality. That's how it works when the infrastructure in question belongs to the municipalities themselves.

Ordinarily, for a provincial infrastructure project, the costs are split 50/50 with the province. All the partners really must be gathered around the table, so that the costs may be shared equally.

**Ms. Isabelle Morin:** My question is more about the municipalities. If 40 municipalities have a joint project, how do they divide a third of the cost amongst themselves?

**Mr. Taki Sarantakis:** Municipalities have to provide one third of the money, and the Government of Canada is not at all interested in meddling in municipal matters.

**Ms. Isabelle Morin:** Let's use an example of a project whose usefulness the municipalities and the province have agreed on.

At what stage would the federal government reject the project? You said earlier that extravagances are not very common and that, usually, when a project is approved by both the municipalities and the province.... What can stand in the way of your carrying out the project at that point?

**Mr. Francis Bilodeau:** We proceed on a program-by-program basis, to an extent. So there is no answer that goes.... Regarding the Gas Tax Fund, for instance, municipalities would normally have a lot of freedom to move forward. We do ask that they submit a report afterwards.

As for programs like the Major Infrastructure Component of the Building Canada Fund, our main stakeholder is usually the province. Therefore, we ask the province to outline its priorities. The federal and provincial governments then discuss those priorities.

**Ms. Isabelle Morin:** On another topic, in answering my Liberal colleague, you said Transport Canada was a bit slow, especially when it comes to funding. But it doesn't necessarily impose approaches and gives municipalities a lot of freedom.

You also said that a national partnership was more complicated. Could you tell us a bit about public transit development strategies abroad? Why are other countries able to have simple approaches?

•(1645)

**Mr. Francis Bilodeau:** That's a broad question. There isn't necessarily a country whose national public transit strategy is comprehensive. On that topic, CUTA basically reports that the other G8 countries have a number of components of what CUTA considers to be a national strategy, rather than a comprehensive national strategy. Therefore, some components discussed in that report exist in Canada, such as subsidies for public transit passes and a funding element.

It is difficult to compare countries. First, the way the country works varies by province. Second, studies on that topic do not show that the other countries we have looked at necessarily have a national public transit strategy.

**Ms. Isabelle Morin:** I have here a research document from the Library of Parliament—which appears to be a valuable research tool—saying that Canada and the U.S. are the only G8 countries without a public transit strategy.

Could you tell us about the public transit development strategies of other countries?

**Mr. Taki Sarantakis:** That depends on your definition of “strategy”. I think you might be better off asking CUTA that question, since they studied the matter in detail.

Personally, I did look somewhat into the public transit approaches taken by the G8 countries. Actually, Canada has many of the elements that make up a strategy. I don't think it is fair to say that Canada is the only G8 country without such a strategy.

**Ms. Isabelle Morin:** Since we are so close to having a strategy, what is stopping us from developing a real public transit strategy?

As you suggested, some parts of the country are more in need in certain circumstances. Why can't we come up with a real public transit strategy?

**Mr. Taki Sarantakis:** CUTA has put together a national policy framework that sets out the components of a strategy, and Canada already has a number of those components.

Through the chair, I can give you the document indicating that Canada has components of a national strategy, basically putting it on par with the rest of the G8 countries.

**The Chair:** Thank you.

[English]

I wish to advise the committee that we have invited CUTA, the Canadian Urban Transit Association. We're hoping they'll be here on Monday.

Mr. Watson.

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

Thank you to our witnesses for appearing here today.

I'm finding the latest rounds of questioning to be very informative. Of course I'm sitting here thinking to myself, what are the components of a national public transit strategy? We're called on to do a study, and nobody has really laid out any for us yet. We now find out there are no international examples of national transit policies. The opposition, who primarily wanted this study, haven't laid out, at least in the initial meeting here, what they think a national public transit strategy should include. Maybe we're trying to do a study to find out what could be in that.

Let me see if I summarize your position clearly. It sounds to me as if in some respects you think the status quo is the only possible way forward in dealing with this issue. That is, that the federal government be involved in the capital investments through omnibus-type infrastructure programs that broadly address flexibility for infrastructure, including for public transit; that we address the issue of proportionality, if you will, through the division of a major infrastructure component versus a communities component; and this was within BCF's seven-year funding window.

Am I understanding your position to be that, or that a different model is possible here?

• (1650)

**Mr. Taki Sarantakis:** I don't have a position per se—

**Mr. Jeff Watson:** In the Canadian context.

**Mr. Taki Sarantakis:** Yes. I've been explaining what the government has been doing in public transit over the last decade. I think it's very important to note that the government in the last budget, as I talked about briefly in my opening remarks, has announced this process to undertake a long-term consultation with respect to infrastructure. Obviously transit will be a very big part of that. We know that transit is a very large consumer, if you will, of our program dollars. It is a very important issue for the larger cities in Canada. These issues will have an opportunity to be addressed

again in the context of whatever the government brings forward at the conclusion of Building Canada in 2014.

That being said, what Canada is doing right now is a lot more than what it's done in the past in terms of transit. The quantum has gone from virtually nothing to, as I said, \$5 billion. The municipal sector is largely, I think, on the whole appreciative of the efforts of the Government of Canada in this area. There isn't another substantive policy area that you could point to where federal funding has grown as quickly in the last decade as infrastructure as a whole, and public transit in general. If you're a mayor or a premier, I think you'd like to see the federal government continue to be that type of constructive partner.

**Mr. Jeff Watson:** Are there, for lack of a better term, potential "land mines" we should consider with respect to delving into this area of creating a national strategy? What types of things should we be looking for or considering that could be troublesome?

Population density obviously has to be a consideration. The question of whether the federal government jumps into the ongoing operational costs of transit systems may raise fairness questions, I would suspect, in regions where public transit isn't an issue.

With regard to land use planning, I don't know our specific federal-provincial structure and who has responsibility for what. This is why flying blind without any international examples becomes a bit of a problem, too. What can we compare to that has a similar political structure, comparable population densities, and whether or not they do operational costs?

Can you give us some guidance?

**Mr. Taki Sarantakis:** I wouldn't necessarily call them "land mines", but I would call your attention to some things that will come up as issues and things that this committee and others will need to explore in the context of the study of public transit.

I think, for me, the first would be the question of dedicated versus omnibus funding. There are pluses and minuses to each model, but if you have dedicated funding, that tends to be less beneficial to communities that don't necessarily have transit as a salience.

I think the question of capital versus operating funding is something to be examined. Historically the Government of Canada has largely limited itself to capital. If it goes into operating, again, there are pluses and minuses of that.

Cost-sharing is also, I think, an important issue going forward. Historically, with the exception of the gas tax, our infrastructure programs have tended to require a significant financial contribution from other partners. I think if the federal government were to assume a larger cost-sharing role, that would have implications for the type of infrastructure projects that you could afford.

I think another issue is incrementality. Historically the Government of Canada has tended to insist that for its infrastructure funding the project be new, be something that wouldn't have otherwise happened without the involvement of the Government of Canada. Again, if you move away from that model, there are pluses and minuses.

For me, I think those would be the four big things to look at.

**The Chair:** Thank you.

Mr. Wallace will finish out the first round. Then what I'm going to do for the committee is allow one or two people on each side to finish up.

Go ahead.

• (1655)

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chair.

I want to thank my colleagues for allowing me to speak. I'm happy to replace Mark as a GTA member. Transit is an issue for our caucus in the greater Toronto area, and we appreciate your discussion.

I have a couple of questions. I've done a paper that only my caucus has seen. It was a few years ago, and I will have to get it out again and shake the dust off it. Tell me if I am wrong or not, but I'm under the impression that since 1963 in the United States there has been a capital fund for transit. Maybe it doesn't exist any more, but it did exist for a while. States and municipalities could apply to the federal government for it—for capital purposes only; there was a little bit for operating.

I agree with you, sir, that not only is it a land mine, but I don't foresee the federal government getting into the operating side of transit systems. The capital side is one thing, but I'm not in favour of being a partial operator.

Could you tell me if that fund still exists? Do you know about it? I have seen it in writing, so it did exist at one time, but I don't know if it still exists. Or is this something you don't know about?

**Mr. Taki Sarantakis:** I'm sorry, but I'm not aware if that specific fund is still in operation. I can tell you that in the last stimulus round, when President Obama announced his stimulus package, transit was a major component.

**Mr. Mike Wallace:** I'll give you that information so you can look it up.

**Mr. Taki Sarantakis:** Sure.

**Mr. Mike Wallace:** I have a question...just because I don't know. In Ontario, the gas tax portion from the Ontario government has to go to transit. Is that correct?

**Mr. Taki Sarantakis:** By and large, yes.

**Mr. Mike Wallace:** I believe that's accurate. Do you have any sense of whether the gas tax collection in other provinces has the same parameters around it?

**Mr. Taki Sarantakis:** To my knowledge the only other province that has a gas tax program is Quebec. I know about Ontario and Quebec.

**Mr. Mike Wallace:** I'm asking because I didn't know.

**Mr. Taki Sarantakis:** Alberta has a kind of transfer, but it's not tied to the gas tax.

**Mr. Mike Wallace:** My question is to you, as you're the Infrastructure Canada piece. In my community, the gas tax money was spent, appropriately—I'm not saying inappropriately—on fixing up our main throughway, in downtown Burlington. I'm from Burlington, Ontario.

Do you feel that we are getting enough feedback from the municipalities and credit for the money that we're spending through the gas tax? They're spending the money. Is the federal government, since we are providing a sizeable portion of this money, getting enough information back and enough credit for the money that's being spent by the municipalities?

**Mr. Taki Sarantakis:** The gas tax, as you know, has two components that are unique. The first is that the federal share is 100%. The second unique component is that the federal government has no role in project selection. Those two things would tend by their nature, especially the second, to not highlight gas tax funding as well as they should, because the way it's set up right now is that municipalities pick the project and report on it later.

**Mr. Mike Wallace:** Right. So we're only lucky if they let us know what they're spending the money on. Or do they have a reporting system?

• (1700)

**Mr. Taki Sarantakis:** No, we audit the municipalities, so we know what the money went to, but we only know after the fact. A lot of times something will be done and built before we knew that it was federal gas tax money.

**Mr. Mike Wallace:** Right. And I don't actually mind that, to be honest with you, but I think as members of Parliament we should be notified that the project, whatever it is, was partially funded by federal tax dollars. I'm not sure that's actually happening.

The word "strategy" can be applied to virtually anything. You can develop a private member's bill or a booklet on strategy, but to me it's the action of getting things on the ground and getting things moving that really makes a difference. You can call it whatever you want; I don't think it really matters. I think it's having it encapsulated in the infrastructure process that is here.

I'll go to my question, then. Based on the fact that we need to find savings as a government to try to get back to a balanced budget, is your department looking at ways of streamlining the way this process works, so that projects can be approved more quickly and money sent with less bureaucratic costs?

**Mr. Taki Sarantakis:** As you know, during the economic action plan the government tremendously increased the speed at which projects were approved, not only from an administrative perspective, but also from a regulatory perspective, including changes to the Canadian Environmental Assessment Act.

Those changes continue to be in force. The administrative streamlining that took place during EAP has largely continued, and we would expect that orientation would continue in future programming.

**The Chair:** Thank you very much.

Ms. Chow.

**Ms. Olivia Chow:** There is actually a list. And I think Mr. Watson had asked the question. A majority of the G-8 countries and OECD countries have capital funding that is predictable. They actually have a plan. There is transit-related research and development funding. The level of policy integration in transit funding is related to other areas. There's administrative support. There are planning requirements, partnership fare subsidies.

If we look at all the other countries, they have laid out in each of the areas what the federal government would do with their partners. I don't think we are there yet.

It actually connects with the question that Mr. Wallace was asking: at what level do you want accountability, and how much freedom do you want? You want most of the projects from the ground up, but if a project is a white elephant—

**Mr. Pierre Poilievre:** A bridge to an island, you mean?

**Ms. Olivia Chow:** Whichever, I'm not going to name any. But there have to be some criteria to determine whether they are or they're not, because it is taxpayers' dollars. Is it completely municipally and provincially driven, or is it nationally driven? There have to be some criteria.

From the questions that Mr. Poilievre has asked, at this point I haven't heard a precise definition of what the cost recovery is. Assuming they're going to lose money on a capital project, surely there have to be some criteria or a guideline to say that perhaps 40% or 50% of the funding should come from the ridership base.

When I was on the budget committee for ten years, I know when TTC came to ask for money on a capital project it had to somehow meet clear criteria. At that time 50% of their capital funding came from operating funds, so if they couldn't afford 50% of the operating funds, then sorry but their capital project wasn't worth it.

There are criteria like that, and I think we should ask precisely what those criteria are. If we don't, how are we to prevent, say, with the Building Canada fund as it relates to capital public transit projects, a transit line being built into pasture land, for example?

I'm asking that question in a general way, and I think our committee needs to explore that. Yes, the gas fund is local—completely local, 100% locally driven—but what percentage should it be? Should it increase? Should it be indexed? The Building Canada fund is going to wind down. What kind of replacement should there be, and what percentage should it be?

With respect to public transit, is 40% the right percentage, or should it be 30% or 60%? Should it be determined by ridership or per capita? What percentage of it should be per capita? What percentage of it is per ridership? We don't know. We don't really have any criteria.

So if you can enlighten us—sorry for the long question, but it's somewhat complex—why is it 40%, for example? Why not 50%? Why not 30%? Does it just so happen that there's a pent-up demand?

**Mr. Taki Sarantakis:** It's a good question. It's something that I think would warrant discussion among the committee.

There are different criteria or triggers that the federal government could institute, if that's what it wishes. For instance, you could set a minimum farebox recovery rate for any project.

Has the federal government done that in the past? No, it hasn't. The only thing we require from our partners right now is that they commit that they will cover the operating losses in their totality. To the extent that they're willing to do that, then the federal government doesn't interfere.

But could the federal government, if it wanted, say that it would not invest in any transit system that doesn't recover 60% of its operating costs? Absolutely. That's an option the government of the day could decide. There are pluses and minuses to that. Obviously the pluses would be that you tend to be building the larger subway systems and transit systems, but you would probably more or less automatically exclude anything outside of cities of any size.

• (1705)

**Ms. Olivia Chow:** But certainly you can.... For a city of smaller size, of course the subsidy is much higher. You can make definite allowance for that, because there's Building Canada, there are the rural Canada funds, for example. There are many different.... It's not just one big fund. There are separate funds to assist smaller municipalities and communities. That one bus in Parry Sound made a huge difference for the people there.

**Mr. Taki Sarantakis:** Exactly. That's the point, that in different communities.... Like one bus in Parry Sound is a very big deal; one bus in Ottawa is not that big a deal. That's why we tend to leave these decisions at the local level.

**Ms. Olivia Chow:** Can I just ask a question about the state of good repair?

**The Chair:** Sorry, we're out of time.

**Ms. Olivia Chow:** Okay.

**The Chair:** Monsieur Coderre.

[*Translation*]

**Hon. Denis Coderre:** Thank you, Mr. Chair.

I find it interesting that we have all the ingredients required for public transit, but no national strategy. I would like to explore that a bit further. Then we can get into funding.

Obviously, in the greater Montreal area, the Montreal metropolitan community, the CMM, represents 70% of Quebec's economy. So you have a population base of 3.6 million people. And that's not just the city; that includes 82 municipalities.

When we were in power, we had what we called “structuring projects” and the Building Canada plan. We invested in so-called structuring projects. There is still the issue of the main contractor—we agree—which Quebec and the municipalities decide. Nevertheless, there could be ad-hoc programs.

Does your strategy take into account the idea of structuring projects? Obviously, public transit presents a changing dynamic, not only because of use, but also because of ridership and so forth. Did you look at that in terms of ad-hoc programs?

We talked about subways and buses. I would imagine that if we want to incorporate rural areas, we need a rail policy. Does your strategy factor in such a policy? Ultimately, everything will be interconnected. Do you think a rail policy should form part of a public transit policy?

**Mr. Francis Bilodeau:** I will answer the first part of the question about structuring projects. We are talking about major strategic projects. There was the Canadian Strategic Infrastructure Fund, which, in some ways, corresponds to the Building Canada Fund, Major Infrastructure Component, which totals approximately \$6.7 billion. The Building Canada Fund totals \$8.8 billion. And \$6.7 billion is earmarked for major strategic projects. That means there is a provincial portion. Projects are selected and discussed individually. The projects are then assessed to ensure that they are large-scale strategic projects that have regional significance. That is my response to the first part of the question.

As for the second part of the question about rail and rail strategies, I am less knowledgeable there. Mr. Sarantakis may have something to add. But questions about a rail strategy might be more appropriate for Transport Canada.

**Mr. Taki Sarantakis:** Rail is the word....

**Hon. Denis Coderre:** That's your portfolio. I would imagine you discuss it on occasion.

**Mr. Taki Sarantakis:** Yes, we do discuss it on occasion.

**Hon. Denis Coderre:** ...in communications.

**Mr. Taki Sarantakis:** I am not directly in charge of that area, however.

[*English*]

**Hon. Denis Coderre:** You're not in charge, but you talk. I understand.

**Mr. Pierre Poilievre:** You know what that's like.

**Some hon. members:** Oh, oh!

• (1710)

**The Chair:** Order.

Monsieur Coderre, thank you.

[*Translation*]

**Hon. Denis Coderre:** Certain people go....

[*English*]

I'll be nice.

[*Translation*]

We must show respect toward our young people if we want them to stay in politics.

Go ahead.

[*English*]

**The Chair:** On rail, do you...?

**Hon. Denis Coderre:** Do you want to talk about rail?

**Mr. Taki Sarantakis:** Rail in the context of public transit or rail as a...?

**Hon. Denis Coderre:** Because we're using rail.

**Mr. Taki Sarantakis:** Yes, we're using rail. Rail tends to be used again in regional transit. So you have Metrolinx, which provides GOTransit service in Toronto, which is run over rail lines. Again, in

Quebec there's heavy usage of rail lines for public transit, and it's less so in Vancouver.

In Canada, as you know, the rail system largely is privately owned, and to the extent that it's utilized in public transit, the public transit authorities, be they municipal or regional, have to enter into agreements with the two large operators, which are CN and CP, which own those lines. I'll let my colleagues at Transport Canada speak to this more, because they're in charge of this, but there's been a concerted effort in recent years on the part of the federal government to try to protect those rail corridors for transit in the future. But those assets at the end of the day are privately held.

[*Translation*]

**Hon. Denis Coderre:** Okay.

Even though he is from the greater Toronto area and I am from Montreal, I was very much in agreement with what my friend Mr. Wallace said. He was saying that we should look at how municipalities were spending the money.

I would think that your minister doesn't do what the President of the Treasury Board does and doesn't send an email to the Muskoka region to see how the money can be spent. They don't do that in your area, do they?

[*English*]

**Mr. Mike Wallace:** I don't think you deserve an answer to that.

**The Chair:** That's the end of the five-minute round.

I'll move to Mr. Poilievre.

**Mr. Pierre Poilievre:** I'm glad somebody still calls me young. In this Parliament, I feel like I'm getting up in years when I look across the way.

First of all, if I could just say to our witnesses, I'm sorry to have put you on the spot in asking for the magic number on the farebox rate of return or percentage of cost recovery. I think it's probably unfair to ask you to answer a question like that spontaneously, but if the department does have any thoughts on that, please feel free to share them with the committee, as I think there seems to be some interest in establishing some thresholds here in our discussion on public transit.

There was also discussion on investments by the federal government in Montreal.

I think, Mr. Sarantakis, you attempted to explain that there are different terms and conditions in relation to investments in Quebec from what there are in other provinces. Is that what you were getting at earlier?



**Mr. Taki Sarantakis:** It's not different terms and conditions, but different protocols. In the agreement that we signed between the Government of Canada and the Government of Quebec, the way that Building Canada, or Chantiers Canada, works in Quebec is that the province must propose things to the federal government, and then the federal government selects from that list. In other jurisdictions, it's possible for a municipality, for example, to propose something directly to the federal government. That's not the case in the agreement with Quebec. The terms and conditions are the same, but the way that projects come forward to the Government of Canada is slightly different in the Quebec context.

**Mr. Pierre Poilievre:** How many projects were funded under the EAP?

**Mr. Francis Bilodeau:** It was around 4,000 under the infrastructure stimulus fund itself.

**Mr. Pierre Poilievre:** That's just the infrastructure stimulus fund. What about the broader stimulus?

**Mr. Taki Sarantakis:** The broader I think was around.... I hesitate to say.

**Mr. Francis Bilodeau:** Obviously there were other programs outside of Infrastructure Canada, but the biggest chunk within Infrastructure Canada would have been through the infrastructure stimulus fund. Then there would have been the CC top-up, which probably was about a few hundred.

**Mr. Taki Sarantakis:** Yes, I think it was around 6,000 in total.

**Mr. Pierre Poilievre:** So 6,000 in total.

So we've just funded 6,000 projects that are incremental by definition. These projects are above and beyond what would otherwise have been funded under normal envelopes.

• (1715)

**Mr. Taki Sarantakis:** Right.

**Mr. Pierre Poilievre:** So if we had pre-established a shopping list of best to worst infrastructure ideas back in 2009 and checked off the 6,000 best and if I were to implement a one-project stimulus fund and pick the very best project in Canada, it would be the 6,001st best project over the last several years.

Is there a worry about over-saturation when we have compressed so many projects into such a short period of time?

**Mr. Taki Sarantakis:** I think there is a challenge on the part of some provinces and some municipalities to bring forward new incremental funding for infrastructure. The need continues to be relatively large. Many provinces today are running deficits, and many municipalities are also challenged. So one of the big challenges going forward will be the continued provision of capital for the infrastructure sector. We know that during the economic action plan a lot of governments, including the federal government, specifically and knowingly went into deficit to address the issues of the economy. And now, coming out of, hopefully, the global recession, it's again a question for governments to what extent they want to continue to dedicate resources to that.

**Mr. Pierre Poilievre:** How much time do I have here?

**The Chair:** Thirty seconds.

**Mr. Pierre Poilievre:** I'll spare you all.

**The Chair:** I'm going to propose, if they so desire, that each party ask one more two-minute question.

Mr. Nicholls.

**Mr. Jamie Nicholls:** My question is about the infrastructure funding framework and the administration. Mr. Sarantakis mentioned a very intriguing point.

I was looking at the Northern Rockies Recreation Centre, which was a gas tax project in Prince George—Peace River. It was decided by the Northern Rockies Regional Municipality, but it was administered—supposedly, through the communications of Infrastructure Canada—by the Union of British Columbia Municipalities. Then I discovered that the UBCM administers the federal public transit agreement for 2006-10.

What are the different frameworks for funding public transit in each province? Has there been a follow-up on the effectiveness of different models of different provinces of these agreements? Has there been a benchmarking by Infrastructure Canada or Transport Canada of public value for each of these funding frameworks and administration? And what is the role of the federal government in sharing best practices knowledge among provinces so that maybe we could develop a strategy that would be effective on a national level so we are funding these projects in the most efficient manner?

**Mr. Taki Sarantakis:** Public transit, as we mentioned, is eligible under all our infrastructure programs—the gas tax, communities component, the major infrastructure stimulus—and all those programs are subject to both audits and evaluations. All the audits and evaluations that have come forward have generally been positive. They don't necessarily speak specifically to transit, but they speak to the programs as a whole. But as I mentioned, a lot of the programs are dominated by transit. So to the extent that a program that's dominated by transit has a positive evaluation, that means we're doing something right in transit.

In terms of best practices, it's something the federal government is going to be exploring in the context of the forthcoming consultations. What better role can the federal government play as a broker of knowledge among municipalities?

**The Chair:** Monsieur Coderre.

[Translation]

**Hon. Denis Coderre:** Since the question has to do with federal-provincial relations, I would like to know when the last federal, provincial and territorial conference on public transit was held. The gas tax was created, and I think it has an important place. It serves as a significant source of funding. I assume we should also consider the public-private relationship, as well as other redundant funding sources. You said earlier, and rightly so, that we should certainly look at the possibility of creating a dedicated fund. Of course, that has advantages as well as drawbacks, but we should at least study the possibility.

When was the last federal, provincial and territorial conference on this issue?

•(1720)

**Mr. Taki Sarantakis:** Exclusively on public transit? There wasn't one. We have meetings that are broader in scope, that deal with infrastructure. Obviously, those discussions include public transit, but as for a special conference....

**Hon. Denis Coderre:** There wasn't one. Do you think that would be an important avenue to pursue? I get the feeling—and I see this as a problem—that we are doing a whole lot of catching up. So we have a problem both in terms of having to catch up and in terms of finding funding. We are dealing with an economic reality. The words used to describe it may differ, but we're talking about a recession. So we have a situation on the economic front. Therefore, we will have to either invest in infrastructure or find a way to change people's consumption patterns. There must be something relevant that can be done in that respect.

Have you measured the ratio between the catching up that needs to happen and what needs to be done in the long term? This can't be a one-time consideration; we need a dedicated fund in my view. For three simple..., there has to be a vision for the future. When you carry out assessments, do you look at that as well?

**Mr. Taki Sarantakis:** Yes, absolutely. We will have another opportunity to examine that issue as part of the consultations that will be held soon.

[English]

**The Chair:** Mr. Poilievre, the final two minutes to you.

**Mr. Pierre Poilievre:** Back to the questions of costing per unit of transportation, do we have models for comparing the relative per-passenger-kilometre cost of public transit versus cars or motorized personal transportation?

**Mr. Taki Sarantakis:** Yes, absolutely. Obviously per kilometre per passenger, public transit is far more efficient than the private automobile is by a factor of many times. But again, that assumes that you have the density. In Toronto, Montreal, and Vancouver, it is far more efficient per passenger per kilometre to use public transit. As you get into the smaller areas, that tends to be harder because you don't have a natural catchment area to get those passengers. So yes, it's far more efficient.

**Mr. Pierre Poilievre:** When you look at the cost of personal vehicles, what are you including in that cost? Are you including just the cost to government, or are you including the cost to the person driving? How do you cost that out?

**Mr. Taki Sarantakis:** According to CAA's latest figures, to operate a private vehicle, I believe, it costs anywhere from \$7,000 to \$9,000 per year when you look at maintenance, your operating costs, your insurance, etc. Obviously a bus pass doesn't cost anywhere near that much.

**Mr. Pierre Poilievre:** You're looking at the cost to the passenger. I'm looking at the cost to the government.

**Mr. Taki Sarantakis:** Again, it depends on which government. Some governments invest very heavily in highways. For instance, Saskatchewan and New Brunswick per capita invest very highly in highways. Ontario would be less so per capita. So it depends on the part of the country.

**Mr. Pierre Poilievre:** I agree. That's why I'm wondering, when you're analyzing a potential investment, whether you consider the relative cost in a given market of a passenger-kilometre for personal vehicle versus for public transit. By the cost, I mean the cost to the taxpayer.

For example, here in the city of Ottawa, if we have to move 850,000 people around to their place of work every day in Ottawa, and we're analyzing whether to proceed with a major public transit initiative—I'm speaking notionally right now, not about the project that's being considered—is there not a way to consider the relative cost of the two options to the government? What is that? Tell us about the comparison.

**Mr. Taki Sarantakis:** There is, except it varies according to the topography of where you're doing it. A rule of thumb is that a kilometre of highway generally costs you \$1 million, but if you're doing it in the Rockies you throw that out, because it will cost you \$30 million to \$40 million a kilometre. If you're doing it in Kicking Horse Pass, it might cost you \$80 million a kilometre. So really there is no general answer. It's very place-specific.

**Mr. Pierre Poilievre:** I'm actually not interested in the amounts. I'm interested in the relativity between transit and road. Do you know what I'm trying to get at here?

•(1725)

**Mr. Taki Sarantakis:** I do, and again, the relativity also depends, because there are different types of transit. A subway line could cost you \$200 million, \$300 million, or \$400 million per kilometre. A light-rail line will cost you much less. A cut-and-cover will cost you much less. You have to deaggregate the public transit and speak about subway versus light rail versus bus.

**The Chair:** With that, I'll thank our guests for being here. We appreciate your time and the time that we allowed you to be here.

For committee members, on Monday we will go back to witnesses. You'll get a notice in the next day or so. If there are any other witnesses you want, we're going through the lists and trying to contact these people, so if there are additions, let me know.

Monsieur Coderre.

[Translation]

**Hon. Denis Coderre:** When you are given a witness list, do you keep in mind that the Conservatives have witnesses, and that we and the official opposition also have witnesses? Or do you look at everyone's requests collectively? Do you respect the fact that each political party can hear from the witnesses it so chooses?

How do you select the witnesses?

[English]

**The Chair:** As you submit them, I vet them and try to be fair to everybody, making sure we have equal numbers. I'm not really interested in what side it is. I'm interested in getting the outcomes we're looking for.

**Mr. Jamie Nicholls:** Do you need the contact information for witnesses?

**The Chair:** We have most of it.

Thank you.

The meeting is adjourned.

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