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THE SENATE

Motion to Encourage the Government to Make Provision
in the Budget for the Creation of the Canadian Infrastructure
Oversight and Best Practices Council—Debate Adjourned

Speech by:

The Honourable Diane Bellemare

Tuesday, February 2, 2016

THE SENATE

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[Translation]

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MOTION TO ENCOURAGE THE GOVERNMENT
TO MAKE PROVISION IN THE BUDGET FOR
THE CREATION OF THE CANADIAN
INFRASTRUCTURE OVERSIGHT AND
BEST PRACTICES COUNCIL—
DEBATE ADJOURNED

Hon. Diane Bellemare, pursuant to notice of January 27, 2016, moved:

That the Senate — in order to ensure transparency in the awarding of public funds and foster efficiency in infrastructure projects in the larger context of economic diversification and movement toward a greener economy, all while avoiding undue intervention in the federal-provincial division of powers — encourage the government to make provision in the budget for the creation of the Canadian Infrastructure Oversight and Best Practices Council, made up of experts in infrastructure projects from the provinces and territories, whose principal roles would be to:

1. collect information on federally funded infrastructure projects;
2. study the costs and benefits of federally funded infrastructure projects;
3. identify procurements best practices and of risk sharing;
4. promote these best practices among governments; and
5. promote project managers skills development; and

That a message be sent to the House of Commons to acquaint that House with the above.

She said: Esteemed colleagues, forgive me for taking two turns in a row, but I wanted this motion, which I feel is important and urgent, to appear in the official Debates so that I can hear your comments and have it adopted.

Honourable senators, in light of the ongoing and precipitous drop in the price of a barrel of oil, the sinking loonie and all of the economic uncertainty we are facing today, it is clear that our economy is struggling. As the Minister of Finance, Mr. Morneau, said during a recent visit to Montreal, the Canadian economy is up against stiff headwinds. He added that there has never been a better time to make targeted investments to support Canada's economic growth.

We know that the government wants to make significant investments in infrastructure. It committed to investing \$60 billion more than the previous government, for a total of \$125 billion over 10 years. That is an ambitious promise, but I am convinced that Canada needs those investments.

Nevertheless, we need to make sure that the government does not just spend for the sake of spending. It is certainly important to stimulate the Canadian economy, but to genuinely stimulate the economy and realize its potential, we need to do things right and invest in good projects that will be good for the entire country in the long term.

Recently, Mr. Dachis, a senior policy analyst at the C. D. Howe Institute, stated, and I quote:

[English]

There's a lot of focus right now on "stimulus," but what the government should really be focused on is the right projects for the overall economy in the long-term

[Translation]

Planning to make significant investments in public infrastructure is a good strategy to revitalize and diversify the Canadian economy, which can no longer rely exclusively on natural resource development.

Since our country was formed, Canada's economy has been based primarily on natural resource development. It is an economic sector that creates a lot of added value per employed person, but it does not necessarily create jobs in all regions of the country. What is more, the natural resource sector is extremely dependent on export markets and the status of the global economy. The current economic situation says it all: a fall in exports, an increase in unemployment in Alberta and Saskatchewan, problems in Newfoundland and Labrador, a decline in the value of the dollar and an increase in the cost of living across the country.

In the short term, the government needs to support the Canadian economy so that the decrease in demand for our natural resources does not spread to other sectors. The federal government has an obligation to stimulate the economy by spending more tax dollars. As the Governor of the Bank of Canada and the Minister of Finance have indicated, we cannot rely on our monetary policy any more. In the words of the late Lord John Maynard Keynes, a great 20th-century economist, Canada's economy is caught in a liquidity trap. Significant government deficits are therefore inevitable. Many hope that programs to renovate and repair existing infrastructure, such as schools, hospitals and roads, will be quickly approved and included in the budget.

However, many experts are saying that investment in new infrastructure cannot be counted on for short-term recovery. Canada, like many countries, needs to review its business plan, focus on enhancing productivity and diversify its economy to create jobs across the country. Canada's provinces are certainly not operating at the full potential of their human resources, and structural changes are needed. This new business plan cannot be improvised. The challenge is with the structure of Canada's economy, which has to adapt to the new global economic context and meet the challenge of climate change.

In fact, the economic challenge for the federal government is threefold. In the short term, it has to stimulate the economy through public spending that will have a multiplier effect on the economy and employment. In the medium term, it has to make major investments that will allow Canada to adapt more quickly to the new economic context related to sustainable development, climate change, new technology development and the long-term decline in demand for fossil fuels. It has to ensure that measures are taken to help the workforce adapt. This last challenge concerns all economic players, especially skills development and training businesses and institutions.

The government will have to be especially careful and diligent in its choice of public infrastructure investments in the medium term. The motion I am moving today addresses that objective specifically and suggests ways to help the government achieve it.

As you know, honourable colleagues, the Senate cannot introduce money bills. That is why I am moving this motion in the context of preparing for the upcoming budget. The Minister of Finance has said a few times that he cannot proceed with regular budget consultations. Nonetheless, the Senate has the power to draw the minister's attention to ideas that might address some of the taxpayers' concerns.

This motion proposes that the Minister of Finance create a public infrastructure oversight and best practices council. It seeks to reassure and inform Canadians that these major investments will be made transparently and according to the rules of good governance and to ensure that new infrastructure projects deliver the expected results in terms of economic diversification, increased productivity and job creation.

[English]

Investing in infrastructure is not an issue that is unique to Canada. It is a global issue as many developed countries, let alone least-developed countries, are significantly behind in developing their hard and soft infrastructure. For many countries, after a three-decade post-war boom, there has been too much of a slowdown in infrastructure investment and repairs. There is an enormous amount of work awaiting countries around the world.

[Translation]

Michael Sabia, the CEO of the Caisse de dépôt et placement du Québec, referred to this issue in Davos, when he said the following in an interview:

[English]

Infrastructure is a key driver of productivity growth, and productivity is something this world needs.

[Translation]

The Canadian Chamber of Commerce has been saying the same thing for a long time. In a speech he gave on February 6, 2013, the chamber's president and CEO, Perrin Beatty, remarked:

[English]

State of the art, effective and reliable infrastructure is a key component of economic competitiveness. Over the last decade governments have shown greater understanding of the strategic nature of investing in infrastructure. However Canada still has to maintain a steady and long-term

investment in infrastructure and to develop a better picture of our existing assets. As infrastructure ages, its efficiency falls and maintenance costs rise. The recently released infrastructure report card indicated that approximately 30% of municipal infrastructure is at risk.

To remain competitive, Canada needs to develop a long-term, national infrastructure investment plan that includes strong and diversified funding models and increased private sector involvement.

[Translation]

Canada does not have a national infrastructure investment plan. Every level of government has its own plan. For example, as part of the 2015 budget, the Quebec minister responsible for the Treasury Board tabled the *2015-2025 Quebec Infrastructure Plan*, which provides for \$88.4 billion in investments over 10 years.

This comprehensive plan is set out in detail every year when the budget is tabled. Infrastructure spending in Quebec falls under the Public Infrastructure Act, which was passed on October 30, 2013. This legislation created the Société québécoise des infrastructures, whose main role is to support the management of infrastructure projects carried out by public bodies. This corporation is governed by a board of directors made up of experts, some of them from the private sector.

• (1640)

At the federal level, Infrastructure Canada is above all a financial partner. It works with other levels of government, the private sector and non-profit organizations, along with other organizations and agencies, to help build and revitalize the infrastructure essential to everyday life and to economic development. Infrastructure Canada is governed by the Canada Strategic Infrastructure Fund Act. This legislation, which created the Canada Strategic Infrastructure Fund, gives the minister responsible a great deal of discretion when it comes to allocating investments.

[English]

Section 4 of this federal law states:

The Minister may enter into an agreement with an eligible recipient to provide for the payment of a contribution for an eligible project under this Act.

That is to say that the management of this fund could become political. There is no other criteria than that the minister administer the funds.

[Translation]

As we know, the department has regulations, but what I am trying to say is that much of the responsibility falls solely on the minister.

Considering the billions of dollars invested in public infrastructure in Canada, we need to make sure that those investments are carefully managed based on good management practices and with no hint of any partisan political influences that could interfere in these files.

Furthermore, according to a number of experts, the federal government should invest these billions of dollars based on a national plan with meaningful targets. It would no doubt be very difficult to come up with a national infrastructure plan, considering the number of provincial and municipal governments in Canada that are involved in this file. That is why projects that receive federal funding usually come from governments or organizations at the provincial and municipal levels. In the past, funding was allocated to the provinces and territories based on a formula that took into account demographic weight and needs. The provinces and territories were then accountable to the federal government.

Will the current federal government proceed in the same manner? Assuming an equitable distribution of infrastructure funding, the federal government could decide to set priorities related to the environment, for example. Australia provides a model for a federation. In that country, national infrastructure priorities are set by the Council of Australian Governments, which brings together all the first ministers.

[English]

In December 2013, the Council of Australian Governments created the Transport and Infrastructure Council, composed of the ministers responsible for those issues on a provincial level. The objective of this new council is "... to achieve a coordinated and integrated national transport and infrastructure system that is efficient, safe, sustainable, accessible and competitive."

Compared to Australia, Canada has a long way to go before putting into place an official structure for federal-provincial dialogue and concerted action.

[Translation]

Let us come back to Canada. Regardless of how the federal government decides to allocate the funding for infrastructure, one thing is certain: it must proceed carefully. Awarding contracts is not enough to make infrastructure investments profitable. It is a more complex and technical process than that. Canadian governments must focus on critical elements, such as the selection of projects, the awarding of contracts, project management and risk-sharing arrangements in order to ensure that the potential economic spinoffs materialize.

More specifically, there are many problems facing the governments when it comes to infrastructure investments. These challenges include cost overruns and overbilling, which can undermine the credibility of some projects in the eyes of the public.

Some of those problems result from the fact that the project managers lack the skills to manage large projects. Such projects need to be carefully planned so that they do not cause bottlenecks in the supply chain for certain goods and services or labour shortages in certain professions and trades.

The governments that commit to making major investments in infrastructure need to ensure that the projects selected are the best ones for generating the growth expected and for diversifying the

economy. The choice of projects must be based on sound cost-benefit analyses. The governments must also be accountable to taxpayers. They must ensure that there is complete transparency when it comes to the management of the public funds invested in these projects and they must ensure that there is no hint of partisan maneuvering associated with any of the contracts.

May I have five more minutes?

The Hon. the Speaker: Honourable senators, is more time granted?

Hon. Senators: Agreed.

Senator Bellemare: Lastly, when major projects are carried out, they must follow procedures that are streamlined and fast.

[English]

I therefore suggest that we propose, through the Minister of Finance, that the government establish a Canadian council of infrastructure oversight and best practices. This would be federal-provincial council made up of experts, not politicians. It would be at arm's length from governments and have the status of an autonomous service unit or one similar to that of the Parliamentary Budget Officer. Its purpose would not be to get involved in an area of provincial jurisdiction or contract awards. It would not be intended to replace Infrastructure Canada.

This council would serve as a federal forum and showcase to inform Canadians about public infrastructure projects. The council's primary role would be to ensure that infrastructure projects achieve major objectives such as diversifying the Canadian economy, boosting competitiveness and creating new jobs across Canada. This would ensure that the council helps maximize the economic benefits of infrastructure investments promised by the government.

[Translation]

This council would not get involved in allocating funding, which is to be allocated according to a fair formula that considers the demographic weight and specific needs of the provinces and territories and the needs of Canada as a whole. The council will aim to maximize the multiplier effects of investments in infrastructure. It will therefore prevent labour shortages.

More specifically, this council's mandate could include the following activities: conducting cost-benefit analyses of the infrastructure projects funded by the federal government; helping managers of such projects develop specific skills, in cooperation with the training institutions; publishing relevant data and information on the various projects for the public; promoting best practices for contract award and definition and risk sharing in public-private partnerships; and undertaking any activity at the request of partner governments.

The creation of this federal-provincial council will address the concerns of a number of experts, as well as those of taxpayers.

This council could be funded by the federal government. It could also fund itself by providing consulting services to the provinces and municipalities and carrying out skills development activities.

In short, this motion calls on the Minister of Finance to establish such a council to ensure that the infrastructure investment program will have a significant impact on our economy, create good jobs for Canadians and innovate by putting Canada on the path to a sustainable economy. The government certainly cannot take a haphazard approach to infrastructure spending, especially when the funding is meant to

be allocated over 10 years. If the program is successful, it will put our country and our economy at the top of the pack in the 21st century.

Thank you very much, dear colleagues.

(On motion of Senator Martin, debate adjourned.)
