



**REPORT ON THE  
*SUPPLEMENTARY ESTIMATES (A), 2014–15***

**Standing Senate Committee on National Finance**

**ELEVENTH REPORT**

*Chair*

The Honourable Joseph A. Day

*Deputy Chair*

The Honourable Larry Smith

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## INTRODUCTION

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The [\*Supplementary Estimates \(A\), 2014–15\*](#), were tabled in Parliament on 14 May 2014. These estimates identify the spending authorities and the amounts to be included in subsequent appropriations.

For its study of the *Supplementary Estimates (A), 2014–15*, the Standing Senate Committee on National Finance (the Committee) heard from representatives of seven departments and federal agencies over the course of three meetings in May 2014.

On 27 May 2014, the Committee welcomed officials from the Treasury Board of Canada Secretariat, Atomic Energy of Canada Limited and Natural Resources Canada. The representatives of these organizations were as follows:

### *Treasury Board of Canada Secretariat*

- Bill Matthews, Assistant Secretary, Expenditure Management Sector;
- George Samiotis, Director; and
- Marcia Santiago, Executive Director, Expenditure Management Sector.

### *Atomic Energy of Canada Limited*

- Steve Halpenny, Vice President, Finance, and Chief Financial Officer; and
- Robert Walker, President and Chief Executive Officer.

### *Natural Resources Canada*

- Jean-Frédéric Lafaille, Director General, Atomic Energy of Canada Limited Restructuring; and
- David McCauley, Director, Uranium and Radioactive Waste Division, Electricity Resources Branch, Energy Sector.

On 28 May 2014, the Committee heard from representatives of the Office of Infrastructure of Canada, Public Safety and Emergency Preparedness, Employment and Social Development Canada, and PPP Canada Inc. The following officials from these departments and agencies appeared:

### *Office of Infrastructure of Canada*

- David Cluff, Assistant Deputy Minister, Corporate Services Branch;
- Jeff Moore, Assistant Deputy Minister, Policy and Communications; and
- Thao Pham, Assistant Deputy Minister, Federal Montreal Bridges.

### *Public Safety and Emergency Preparedness*

- Mark Perlman, Chief Financial Officer and Assistant Deputy Minister, Corporate Management Branch; and
- Shawn Tupper, Assistant Deputy Minister, Emergency Management and Programs Branch.

*Employment and Social Development Canada*

- Alain P. Séguin, Chief Financial Officer; and
- Paul Thompson, Senior Assistant Deputy Minister, Skills and Employment Branch.

*PPP Canada Inc.*

- Greg Smith, Chief Financial Officer and Vice President, Finance, Risk and Administration.

Appendix 1 presents a list of 20 projects for which funding has been committed by PPP Canada Inc.

**OVERVIEW OF THE SUPPLEMENTARY ESTIMATES (A), 2014–15**

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The forecast expenditures set out in the estimates consist of budgetary and non-budgetary expenditures, which are divided into two categories: voted appropriations and statutory items.<sup>1</sup> A total of 16 organizations have requested additional funding through the *Supplementary Estimates (A), 2014–15*.

As shown in Table 1, these estimates provide information on \$2.4 billion in voted appropriations, a 2.8% increase over the *2014–15 Main Estimates*. Table 1 also shows statutory items totalling \$11.4 million, an increase of 0.01% over the *2014–15 Main Estimates*.

**Table 1 – Summary of the Supplementary Estimates (A), 2014–15 (\$)**

	2013–2014 Total Estimates	2014–2015		
		Main Estimates	Supplementary Estimates (A)	Proposed Authorities To Date
<b>Budgetary</b>				
Voted	93,928,003,992	86,282,034,901	2,410,900,361	<b>88,692,935,262</b>
Statutory	145,166,798,653	149,052,339,774	11,430,672	<b>149,063,770,446</b>
<b>Total</b>	<b>239,094,802,645</b>	<b>235,334,374,675</b>	<b>2,422,331,033</b>	<b>237,756,705,708</b>
<b>Non-budgetary</b>				
Voted	71,103,004	26,703,003	44,400,000	<b>71,103,003</b>
Statutory	(41,024,336,315)	(10,050,344,221)	–	<b>(10,050,344,221)</b>
<b>Total</b>	<b>(40,953,233,311)</b>	<b>(10,023,641,218)</b>	<b>44,400,000</b>	<b>(9,979,241,218)</b>

Source: Treasury Board of Canada Secretariat, [Supplementary Estimates \(A\), 2014–15](#), p. 1-3.

<sup>1</sup> **Budgetary expenditures** include the cost of servicing the public debt; operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations. **Non-budgetary expenditures** (loans, investments and advances) are outlays that represent changes in the composition of the financial assets of the Government of Canada. **Voted appropriations** are appropriations for which parliamentary authority is sought through an appropriation bill. **Statutory items** are items authorized by Parliament through enabling legislation and for which forecasts are provided for information purposes only.

## **STUDY OF THE *SUPPLEMENTARY ESTIMATES (A), 2014–15***

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### **1. Treasury Board of Canada Secretariat**

The Treasury Board of Canada Secretariat officials told the Committee that the *Supplementary Estimates (A), 2014–15*, contain non-budgetary expenditures of \$44.4 million. These expenditures are for loans to Aboriginal claims groups that will enable them to participate in existing negotiations toward a settlement.

The officials then explained that the *Supplementary Estimates (A), 2014–15*, include \$2.4 billion in budgetary expenditures. Of this amount, \$11.4 million are for statutory items that fund contributions to employee benefit plans.

The Committee learned that the amounts requested in the *Supplementary Estimates (A), 2014–15*, are greater than those requested in 2013–2014. The increase is \$1.3 billion, or 118%. The officials reported that, while the total amount sought in the *Supplementary Estimates (A), 2013–14*, was unusually low, the total for 2014–2015 is closer to normal. The amount requested in the *Supplementary Estimates (A), 2012–13*, for example, was \$2.1 billion.

#### **1.1 Windsor-Detroit Bridge Authority**

The Treasury Board representatives told the Committee that a new organization, the Windsor-Detroit Bridge Authority, is appearing in the estimates for the first time. The organization is receiving its initial funding of \$5.7 million.

#### **1.2 Major Voted Items**

The Treasury Board officials discussed the major voted items in the *Supplementary Estimates (A), 2014–15*:

- \$499.2 million for Employment and Social Development Canada. This is new annual funding through 2019–2020 to replace the Labour Market Development Agreements;
- \$253.7 million for the Jacques-Cartier and Champlain Bridges Inc. to repair and maintain federal structures in Montreal, as announced in the 2014 federal budget;
- \$200.0 million for PPP Canada Inc. for the P3 Canada Fund, as announced in the 2013 federal budget;
- \$195.0 million for Atomic Energy of Canada Limited to operate the laboratories that supply medical isotopes and to upgrade the Chalk River Laboratories in Ontario;
- \$195.0 million for Natural Resources Canada to extend the Nuclear Legacy Liabilities Program. Most of the nuclear cleanup costs relate to the Chalk River Laboratories and, to a lesser extent, the Whiteshell Laboratories in Manitoba;
- \$142.2 million for the Office of Infrastructure of Canada for the New Building Canada Fund;
- \$136.3 million for Indian Affairs and Northern Development Canada for the First Nations Water and Wastewater Action Plan. This funding will serve to develop protocols and standards for water and wastewater management and support projects to install plumbing in some communities in northern Manitoba;

- \$133.6 million for Foreign Affairs, Trade and Development Canada for the consolidation of the Canadian High Commission at Trafalgar Square in London. These expenditures, which are funded by the sale of Macdonald House, are for renovations to the new High Commission and Official Residence and leasehold extension of Canada House in London;
- \$127.7 million for Indian Affairs and Northern Development Canada to assess, manage and remediate federal contaminated sites. While this department is responsible for managing 112 contaminated sites, this funding is mainly for two specific sites: Faro Mine in Yukon and Giant Mine in the Northwest Territories;
- \$119.8 million for the Office of Infrastructure of Canada to build a replacement bridge over the St. Lawrence River;
- \$101.6 million for VIA Rail Canada Inc. for incremental pension requirements; and
- \$95.0 million for Public Safety and Emergency Preparedness to cover the federal government's share of the decontamination costs related to the train derailment and explosion in Lac-Mégantic, Quebec.

### **1.3 Federal Bridges**

The officials reported that, as announced in the 2014 federal budget, three organizations are requesting additional funding totalling \$379 million in the *Supplementary Estimates (A), 2014–15*. This amounts to about 15% of all funding in these estimates. Most of these funds are for the Office of Infrastructure of Canada and the Jacques-Cartier and Champlain Bridges Inc. for federal bridges and other federal structures in Montreal.

The Office of Infrastructure of Canada is seeking nearly \$120 million to begin work on the planned replacement for the Champlain Bridge, which includes land acquisition, planning and procurement. This project will eventually include a new bridge for Nuns' Island and the reconstruction and expansion of Highway 15.

The Jacques-Cartier and Champlain Bridges Inc. is responsible for the following key infrastructure: the Champlain Bridge and the associated ice control structure, the existing Nuns' Island Bridge (not the temporary one), the Honoré-Mercier Bridge, the Bonaventure Expressway, Highway 15 and the Melocheville Tunnel. The corporation is requesting \$254 million to operate, repair and maintain existing structures, which includes making urgent safety-related repairs to the Champlain Bridge and constructing a temporary Nuns' Island bridge.

Finally, \$5.7 million is being sought to establish the Windsor-Detroit Bridge Authority.

In response to a question from a Committee member, the Treasury Board of Canada Secretariat officials agreed to provide a list of the main federal bridges. At the time of writing, the Committee had not yet received this list.

#### **1.3.1 Funding for the Construction of a Replacement Bridge for the St. Lawrence**

In response to questions from the Committee, the Office of Infrastructure of Canada officials explained that, in keeping with the announcement made by the Minister of Infrastructure, the department's goal is for the replacement bridge for the St. Lawrence to be open to traffic by late 2018. The officials added that, in order to achieve this objective, the process leading up to final construction would have to be

sped up. They also mentioned that the project would be achieved through a public-private partnership and that, as announced by government, the bridge would carry a number of tolls.

They went on to explain that the procurement process to identify the winning proposal had begun in March 2014. The result should be known in spring 2015. According to the current schedule, bridge construction will begin in summer 2015. Total cost for the project, including costs for construction, operation and maintenance of the bridge for a 30-year period has been estimated to be between \$3 billion to \$5 billion. According to the departmental officials, a more accurate estimate of project costs will be known around December 2014, once the winning bidder in the procurement process has been announced.

Responding to questions from the Committee, the officials explained that despite the ambitious schedule, the department was confident that construction of the replacement bridge for the St. Lawrence would be completed as planned for two reasons. First, each of the steps identified in the schedule had been completed on time thus far. Second, they were confident in the interdepartmental team that was established in autumn 2013. This team includes employees of Office of Infrastructure of Canada, Transport Canada, Public Works and Government Services Canada, PPP Canada Inc. and Justice Canada. According to officials, a multidisciplinary team of approximately 100 professionals and experts is working full time on this project.

### **1.3.2 Federal Government Responsibility for Bridges**

The federal government is generally responsible for interprovincial bridges in Canada. The Committee asked the Office of Infrastructure of Canada officials why the federal government would assume responsibility for the Champlain<sup>2</sup> and Jacques Cartier bridges<sup>3</sup>, which link the Island of Montreal to the south shore. The departmental officials explained that it was for historical reasons. It is the only instance in Canada where the federal government owns bridges joining two points within the same province. This arrangement dates back to 1960, when the St. Lawrence Seaway was built. The federal government of the day decided it would build the bridges over the seaway.

### **1.4 VIA Rail Canada Inc.**

The Committee learned that VIA Rail Canada Inc., as a Crown corporation, must adhere to private-sector rules in funding its pension plan. Under the [\*Pension Benefits Standards Regulations, 1985\*](#), employers with a deficit in their pension plan funding have up to five years to fix it.

In response to a Committee member's question, the officials said that VIA Rail's pension plan is a defined benefit plan. The cost-sharing balance has been adjusted to move toward equal contributions (50%-50%) from the employer and employees.

The Committee was told that VIA Rail Canada Inc. has previously sought funding for its pension deficit and may do so again in the future. In its 2013 annual report and financial statements, VIA Rail Canada

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<sup>2</sup> The Champlain Bridge was opened to traffic on 28 June 1962.

<sup>3</sup> The Jacques-Cartier Bridge was opened to traffic on 14 May 1930

Inc. posted a \$43.7-million liability in its pension plans, post-employment benefit plans and other long-term employee benefit plans. This liability is down from 2012, when it was \$388.3 million.<sup>4</sup>

The Treasury Board officials stated that they expect the employer contribution to VIA Rail's pension plan to be about \$100 million this year. However, they also expect the federal government's annual contribution to make up the deficit will decrease in the years ahead because the pension plan's assets have performed better since the 2008 recession.

Lastly, the Committee learned that two main factors put pressure on pension plan liabilities: declines in the stock market and longer employee life expectancies.

### **1.5 Indian Residential Schools Truth and Reconciliation Commission**

Asked about the transfer of approximately \$3.5 million from Indian Affairs and Northern Development Canada to the Indian Residential Schools Truth and Reconciliation Commission, the officials explained that the Commission's mandate has been extended by one year, until June 2015. This extension will allow the Commission to prepare and release its final truth and reconciliation report.

## **2. Atomic Energy of Canada Limited**

The Committee learned that Atomic Energy of Canada Limited is Canada's largest nuclear technology and radioactive waste management organization. It is a Crown corporation that reports to Parliament through the Minister of Natural Resources.

Atomic Energy of Canada Limited has unique nuclear expertise and nuclear laboratories at two main sites: the Chalk River Laboratories in Ontario and the Whiteshell Laboratories in Manitoba. These laboratories are under licence from the Canadian Nuclear Safety Commission. The Committee was told that these two laboratories are being decommissioned, but will nevertheless continue to produce medical isotopes until 2016.

### **2.1 Budgetary Expenditures**

The Committee learned that, since the 1990s, Atomic Energy of Canada Limited has received about \$102 million in base funding each year to operate its laboratories. For 2014–2015, this funding was allocated in the main estimates.

However, as in past years, this annual base funding has proven inadequate to cover the core costs of the nuclear laboratories in 2014–2015. That is why additional funding of \$195 million was announced in the 2014 federal budget and is included in the *Supplementary Estimates (A), 2014–15*.

This supplementary funding will enable Atomic Energy of Canada Limited to:

- continue producing medical isotopes;
- complete infrastructure and operational upgrades relating to health, safety, security and environmental priorities;

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<sup>4</sup> VIA Rail Canada Inc., [Annual Report 2013](#), p. 72.



- meet nuclear regulatory requirements; and
- prepare for the transition of the laboratories to a government-owned, contractor-operated model.

The Atomic Energy of Canada Limited officials said that, through productivity gains, efficiency improvements and growth in commercial revenues, their organization returned \$26 million in supplementary funding received in 2013–2014 to the federal government. Commercial revenues reached \$154 million in the last fiscal year, an increase of 33%.

The Committee heard that, over 2013–2014, Atomic Energy of Canada Limited reduced its operating budget by 8% compared with 2011–2012 and expects to achieve a reduction of 12% compared with that same year by 31 March 2015.

## 2.2 Restructuring Process

In November 2007, a review of Atomic Energy of Canada Limited was undertaken “to determine whether its structure as a Crown corporation best equipped it, its employees and ultimately the Canadian nuclear industry to participate fully in the global nuclear market.”<sup>5</sup>

The review was completed in 2009. It concluded that Atomic Energy of Canada Limited should be restructured. In May 2009, the federal government announced that it would restructure the organization and launched a two-stage process. In the first stage, interested investors were invited to submit proposals to acquire Atomic Energy of Canada Limited’s CANDU Reactor Division. In October 2011, the assets of this division were sold to Candu Energy Inc., a subsidiary of SNC-Lavalin Group Inc. The second phase of the restructuring plan began in February 2012 when a “Request for Expression of Interest on the future of the Laboratories was issued to determine stakeholder willingness to share in financial risks, managing, partnering and contracting.”<sup>6</sup>

The Committee heard that the Minister of Natural Resources announced in 2013 that the federal government would enter into a competitive procurement process with the nuclear industry for the management and operation of Atomic Energy of Canada Limited’s nuclear laboratories. The federal government plans to implement a government-owned, contractor-operated model, following the example of other jurisdictions, such as the United States and the United Kingdom.

The Committee was informed that the goal of this restructuring process is to create the conditions for Canada’s nuclear industry to succeed while reducing costs and risk exposure for Canadian taxpayers.

The government launched the qualification and consultations stage of the procurement process, known as the “Request for Response Evaluation,” in March 2014. This stage will allow interested suppliers to be evaluated on specific technical and financial requirements, as well as national security considerations.

Qualifying suppliers will then be invited to begin detailed consultations on procurement needs. The Committee heard that these suppliers could be multinational corporations since there is no requirement that the selected supplier be Canadian.

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<sup>5</sup> Natural Resources Canada, [Restructuring of Atomic Energy of Canada Limited – Nuclear Laboratories](#).

<sup>6</sup> Ibid.

### **2.1.1 Government-Owned, Contractor-Operated Model**

In response to a Committee member's question, the Committee heard that, under the government-owned, contractor-operated model, the private sector would assume responsibility for day-to-day operations at the nuclear laboratories, science and technology services, and radioactive waste management. The Committee was told that this model will create incentives for the private sector to realize savings, generate innovative ideas for new technologies and establish partnerships with other companies to improve performance and optimize resources.

The Committee also learned that the selected supplier will be paid based on performance. Therefore, if the supplier exceeds its objectives and enables the government to save money, the savings would be shared with the supplier.

Following a Committee member's question, the Committee was told that the employees of Atomic Energy of Canada Limited will be transferred to the private supplier.

### **2.1.2 National Security**

The Committee heard that the federal government will take the necessary steps to protect national security during the restructuring process. Moreover, the Canadian Nuclear Safety Commission will continue to oversee safety, security and environmental matters in all sectors of the nuclear industry, including nuclear laboratories.

## **2.3 Centres of Excellence**

The Committee learned that Atomic Energy of Canada Limited has launched 10 new virtual centres of excellence to develop its core science and technology expertise, mission-ready facilities and its intellectual property. These centres will focus on industry cooperation with supply-chain partners to meet changing customer needs.

## **3. Natural Resources Canada**

### **3.1 Nuclear Legacy Liabilities Program**

In 2006, the federal government established the Nuclear Legacy Liabilities Program to decommission outdated and disused research facilities and related infrastructure, remediate contaminated lands and implement long-term solutions for managing legacy nuclear waste at Atomic Energy of Canada Limited's sites. This program led to the creation of a long-term decommissioning strategy covering a 70-year period.

According to the Natural Resources Canada officials, over the past eight years this program has enabled the federal government to reduce its liabilities and risks by decommissioning and remediating contaminated sites and establish new facilities to characterize, handle and store radioactive waste.

The Natural Resources Canada officials explained that, in 2006, the federal government committed to provide \$520 million over five years to fund this program. In 2011, the government extended the program through 31 March 2014 by investing a further \$430 million over three years.

### **3.2 Budget Estimates**

The Committee was informed that the additional request of \$195 million will fund the Nuclear Legacy Liabilities Program until 31 March 2015, the expected effective date of the new government-owned, contractor-operated model. This funding will be used to:

- make progress on highly enriched uranium repatriation initiatives;
- continue decommissioning activities at the Chalk River and Whiteshell laboratories; and
- prepare for the transition to the government-owned, contractor-operated model.

### **3.3 Atomic Energy of Canada Limited Restructuring Process**

The officials reported that, as Atomic Energy of Canada Limited is restructured, the decommissioning of facilities and remediation of contaminated sites currently carried out under the Nuclear Legacy Liabilities Program will eventually become a private-sector responsibility. These obligations will be fully incorporated into the management contract between the federal government and the private supplier. As a result, this Natural Resources Canada program will no longer exist once the contract is in place.

The Committee heard that it is very likely that the new government-owned, contractor-operated model will not be in place until late 2015 and that additional funding will be sought for the Nuclear Legacy Liabilities Program until the new model is active.

While the Committee recognizes that the restructuring process of Atomic Energy of Canada Limited is a work in progress, it intends to follow up on the direction this organization is taking.

## **4. Employment and Social Development Canada**

### **4.1 Budget Estimates**

According to the *Supplementary Estimates (A), 2014–15*, Employment and Social Development Canada is requesting an additional \$500 million for 2014–2015, a 1% increase over the amount included in the *2014–15 Estimates*. Of this amount, \$15 million will be transferred to the National Research Council of Canada for the *Youth Employment Strategy*. The remaining \$485 million was requested as funding for the *Canada Job Grant* (\$475 million), the new *Canada Job Fund* (\$9 million) and statutory expenditures (\$1 million).

### **4.2 Youth Employment Strategy**

In response to questions from the Committee, Employment and Social Development Canada officials explained that the \$15 million transferred to the National Research Council of Canada for the *Youth Employment Strategy* was the first of two payments; that an additional \$15 million will be transferred in 2015–2016. The National Research Council of Canada delivers the *Industrial Research Assistance Program's Youth Employment Program* under *Career Focus*. According to departmental officials, this successful programming allows youth to acquire work experience in fields where the demand for skilled labour is high.

### **4.3 Canada Job Grant**

In response to questions from the Committee, Employment and Social Development Canada officials explained that the *Canada Job Grant* will ensure that employers participate and invest directly in the skills training system. According to them, this will result in training that is better aligned with job opportunities.

Officials confirmed that the department has already finalized agreements with British Columbia, Alberta, Manitoba and Ontario. They are optimistic that negotiations will soon result in agreements with the other provinces.

They explained that, under the terms of the program, the provinces will receive funding from the federal government but will be responsible for administering the program and ensuring that employers who request the grant meet the criteria.

According to the Employment and Social Development Canada officials, the federal government acknowledges that the objectives of the *Canada Job Grant* program have already been integrated in provincial legislation and programs in Quebec. Consequently, Quebec does not participate directly in the *Canada Job Grant* programs; however, the province will receive compensatory funding under the *Canada–Quebec Labour Market Agreement*.

## **5. Public Safety and Emergency Preparedness Canada**

### **5.1 Budget Estimates**

According to the *Supplementary Estimates (A), 2014–15*, Public Safety and Emergency Preparedness Canada is requesting an additional \$95 million in funding, an 8.5% increase over the amount included in the *2014–15 Estimates*. This funding will be used to provide financial assistance to the Province of Quebec for decontamination costs following the train derailment and explosion in Lac-Mégantic.

### **5.2 Funding for Soil and Water Decontamination**

The Quebec government's preliminary estimate of decontamination costs following the train derailment and explosion in Lac-Mégantic has been established at \$190 million. Recognizing the burden this would place on the Government of Quebec, the federal government pledged to provide \$95 million, or 50% of the cost of decontaminating depleted soil and water. According to departmental officials, if these estimates are approved, a maximum payment of \$95 million will be provided to the Province of Quebec within six months of receiving the detailed cost estimate.

The officials from Public Safety and Emergency Preparedness Canada added that this funding request will allow the department to continue its important work, while ensuring that public funds are used efficiently and effectively.

### **5.3 Financial Assistance to the Province of Quebec Following the Lac-Mégantic Disaster**

In response to questions from the Committee, officials from Public Safety and Emergency Preparedness Canada explained that, following natural disasters, the department usually provides financial assistance through the *Disaster Financial Assistance Arrangements* program. However, in light of the magnitude of

the Lac-Mégantic disaster, the federal government agreed to share costs on a 50-50 basis with the Province of Quebec. In July 2013, Public Safety and Emergency Preparedness Canada was authorized to establish a specific contribution program for this purpose.

In the *Supplementary Estimates (B) 2013–14*, Public Safety and Emergency Preparedness Canada made the first \$25-million contribution toward disaster response and recovery costs. This amount was in addition to the \$35 million the Province de Québec received From Economic Development Agency of Canada for the Regions of Quebec for the economic recovery of the affected area.

## **6. Office of Infrastructure of Canada**

### **6.1 Budget Estimates**

According to the *Supplementary Estimates (A), 2014–15*, Office of Infrastructure of Canada is requesting an additional \$312.7 million. If approved, this funding request will increase the department's total budget to \$3.6 billion.

In response to questions from the Committee, the Office of Infrastructure of Canada officials explained that this net increase was primarily attributable to the following elements:

- an additional \$142.2 million in contributions for the *New Building Canada Plan* to cover expenses associated with the 2014–2015 construction season. Program funding for future construction seasons will be requested in upcoming estimates;
- an additional \$93.2 million in capital funding for the preparation of the corridor project for the replacement bridge for the St. Lawrence;
- an additional \$71.1 million in operating funding to implement the *New Building Canada Plan*, existing programs and the corridor project for the replacement bridge for the St. Lawrence; and
- an additional \$6.2 million in statutory funding to support employee benefit plan obligations.

### **6.2 The New Building Canada Plan**

The Office of Infrastructure of Canada officials reminded the Committee that:

- When the *Building Canada Plan* was launched in 2007, this seven-year plan provided \$33 billion in funding to the provinces, territories and municipalities to allow them to plan for their longer-term infrastructure needs.
- The three-year *Infrastructure Stimulus Fund* established in 2009 provided \$4 billion in funding to support job creation during the peak of the global economic crisis.

The officials added that, through these programs and other infrastructure initiatives, Office of Infrastructure of Canada supported more than 43,000 projects across the country.

In response to members' questions, the Committee learned that approximately \$6 billion from the 2007 infrastructure program and several other past programs has not yet been disbursed. According to departmental officials, a significant portion of these funds has already been allocated to specific projects. In some cases, the projects have yet to be completed; in others, it is a matter of finalizing administrative requirements so that the payments can be made. The officials explained that this is a perfectly normal

situation as payments for these programs are made in installments. The Committee heard that payments are planned between now and the fiscal year 2018–2019.

The officials told the Committee that the new *Building Canada Fund* was still pursuing these objectives by means of major investments in previous infrastructure programs. The Plan will support provincial, territorial and municipal infrastructure projects through three funds:

- the *Community Improvement Fund*, which includes the GST rebate for municipalities;
- the *Gas Tax Fund*, managed by the Office of Infrastructure of Canada, which is a federal transfer to the provinces. The Fund provides \$2 billion every year to municipalities and would be indexed at 2% per year starting in 2014; and
- the *Building Canada Fund*, which has two components: the National Infrastructure Component and the Provincial-Territorial Infrastructure Component.

## **7. PPP Canada Inc.**

### **7.1 Budget Estimates**

According to the *Supplementary Estimates (A) 2014–15*, PPP Canada Inc. is requesting an additional \$200 million for 2014–2015. This amount will be used for PPP Canada investments (\$198 million) and operating expenditures (\$2.3 million). PPP Canada Inc. was granted \$9.5 million under the *2014–15 Main Estimates* for operating expenditures and its program delivery.

### **7.2 Brief Description of PPP Canada Inc.**

PPP Canada Inc. is a Crown corporation established in September 2009. Its representatives last appeared before the Committee in March 2011 as part of the Committee’s consideration of the *2011–12 Main Estimates*. Incorporated under the [Canada Business Corporations Act](#), PPP Canada Inc. manages an investment fund of \$1.2 billion to develop public-private partnerships in Canada and support public-private partnership infrastructure projects in the public interest. PPP Canada Inc. gathers knowledge and leverages federal funding for provincial, territorial, municipal and First Nations infrastructure projects.

For any public-private partnership infrastructure project, the maximum federal contribution is 25%, with the remainder of funding coming from the private sector or other levels of government. While all PPP Canada Inc. investments are non-repayable contributions, the organization can provide repayable contributions, loans and loan guarantees. Representatives from the organization told the Committee that the work of PPP Canada Inc. consists mainly of analyzing the risks that would be transferred to the private sector in a potential public-private partnership agreement to determine whether a public-private partnership procurement was suitable.

### **7.3 P3 Canada Fund**

In their testimony, the PPP Canada Inc. representatives explained that the P3 Canada Fund of \$1.2 billion will be allotted over five years. This amount should therefore cover the period from 2009 to

2014.<sup>7</sup> The PPP Canada Inc. representatives added that all of the \$1.2 billion has been committed to 20 projects, a detailed list of which is presented in Appendix 1 of this report.

Members of the Committee were surprised to learn that only \$30 million (2.5%) of the \$1.2 billion advanced by the government to PPP Canada Inc. has been disbursed since 2009.

The PPP Canada Inc. representatives pointed out to the Committee that a lot of planning goes into public-private partnership projects and that sometimes collaboration with other levels of government such as municipalities and provinces can cause delays of up to two years, and construction delays of an additional three years.

According to the PPP Canada Inc. representatives, by the end of the fiscal year on 31 March 2019, the balance of payments to be made, which should be \$1,170 million, would complete PPP Canada Inc.'s commitments for the first tranche of \$1.2 billion. They added that payments are made only once the terms and conditions of contract with the private partner have been met, which could be when the asset reaches substantial completion or the asset is providing services to the public.<sup>8</sup>

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<sup>7</sup> In its 2013 budget, the federal government announced an injection of \$1.2 billion over five years for the renewal of the P3 Canada Fund.

<sup>8</sup> The Auditor General of Canada in his [2013 Spring Report](#) also expressed concerns about this funding arrangement of PPP Canada Inc.

1 **APPENDIX 1 – LIST OF 20 PROJECTS FOR WHICH FUNDING HAS BEEN COMMITTED BY PPP**  
 2 **CANANDA INC.**

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 4 **SUMMARY OF ANNOUNCED PROJECTS**  
 5 **P3 CANADA FUND**  
 6 **5 June 2014**  
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Project Name	Project Description	Status	Eligible Recipient
<b>Project #1</b> <b>Chief Peguis Trail Extension</b>  City of Winnipeg, MB Local Road Infrastructure	<ul style="list-style-type: none"> <li>• DBFM</li> <li>• P3CF investment: \$23.9M (Paid in 2012)</li> <li>• Four-lane divided roadway, grade-separated intersection and pedestrian bridge</li> </ul>	In operation.  The final VfM at Substantial Completion was 17.6%.	City of Winnipeg
<b>Project #2</b> <b>AMT- Lachine Train Maintenance Center</b>  Montréal, QC Public Transit Infrastructure	<ul style="list-style-type: none"> <li>• DBF</li> <li>• P3CF investment: \$24.8M (Planned expenditure 2015-16)</li> <li>• Train maintenance centre</li> </ul>	In construction.	Province of Québec
<b>Project #3</b> <b>Evan Thomas Water and Wastewater</b>  Kananaskis, AB Water and Wastewater Infrastructure	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$10M (Planned expenditure in 2014-15)</li> <li>• Wastewater treatment plant and upgrades to water storage and distribution system.</li> </ul>	In construction.  The final VfM at financial close was 3.9%.	Province of Alberta
<b>Project #4</b> <b>Lac La Biche Wastewater Treatment Plant</b>  Lac La Biche, AB Wastewater Infrastructure	<ul style="list-style-type: none"> <li>• DBOM</li> <li>• P3CF investment : \$3.8M (Paid \$3.5M in 2014, further \$300,000 planned in 2014-15)</li> <li>• A wastewater treatment facility, replacing the current lagoon system</li> </ul>	In operation.	County of Lac La Biche



<b>Project Name</b>	<b>Project Description</b>	<b>Status</b>	<b>Eligible Recipient</b>
<b>Project #5 Sudbury Biosolids</b>  Greater Sudbury, ON Wastewater Infrastructure	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$11M (Planned expenditure in 2015-16)</li> <li>• Biosolids facility</li> </ul>	In construction.  The VfM at financial close was 6.9%.	City of Greater Sudbury
<b>Project #6 Barrie Transit Facility</b>  City of Barrie, ON Public Transit Infrastructure	<ul style="list-style-type: none"> <li>• DBF + OM</li> <li>• P3CF investment: \$5.8M (Planned expenditure in 2014-15)</li> <li>• Bus maintenance and operations facility</li> </ul>	In procurement.	City of Barrie
<b>Project #7 BC Housing</b>  Vancouver, BC Brownfield Redevelopment Infrastructure	<ul style="list-style-type: none"> <li>• DBFM</li> <li>• P3CF investment: \$29.1M (Planned expenditure in 2014-15 and 2015-16)</li> <li>• Rehabilitation of 13 historic single room occupancy buildings</li> </ul>	In construction.  The VfM at financial close was 2.5%.	Province of British Columbia
<b>Project #8 Go Transit East Rail Maintenance Facility</b>  Whitby, ON Public Transit Infrastructure	<ul style="list-style-type: none"> <li>• DBFM</li> <li>• P3CF investment: \$94.8M (Planned expenditure in 2017 and thereafter)</li> <li>• Train maintenance facility</li> </ul>	In procurement.	Province of Ontario
<b>Project #9 MRC de la Haute-Yamaska Waste Treatment Centre</b>  MRC de la Haute-Yamaska, QC Wastewater Infrastructure	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$12M (Planned expenditure 2015-16)</li> <li>• A wastewater treatment facility and conveyer system</li> </ul>	In procurement.	Regional County Municipality of Haute-Yamaska.

Project Name	Project Description	Status	Eligible Recipient
<p><b>Project #10</b> <b>North Saskatchewan Bridge (Northeast Anthony Henday Drive)</b></p> <p>Edmonton, AB Provincial Road Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$36.8M (Planned expenditure in 2016-17)</li> <li>• Two bridge structure</li> </ul>	<p>In construction.</p> <p>The final VfM at financial close was 17%.</p>	<p>Province of Alberta</p>
<p><b>Project #11</b> <b>Evergreen Line Rapid Transit Project (Lincoln Station)</b></p> <p>Coquitlam, BC Public Transit Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBF</li> <li>• P3CF investment: \$7M (Planned expenditure in 2016-17)</li> <li>• Additional transit station on planned ALRT Line</li> </ul>	<p>In construction.</p>	<p>Province of British Columbia</p>
<p><b>Project #12</b> <b>Capital Regional District (CRD) Biosolids Energy Centre</b></p> <p>Victoria, BC Wastewater Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$83.4M (Planned expenditure in 2017 and thereafter)</li> <li>• Biosolids treatment plant linked to two projects (conveyance system &amp; wastewater treatment plant)</li> </ul>	<p>In procurement.</p>	<p>Capital Regional District of Victoria</p>
<p><b>Project #13</b> <b>Surrey Biofuels Processing Facility</b></p> <p>Surrey, BC Solid Waste Management Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$16.9M (Planned expenditure in 2015-16)</li> <li>• Organic waste treatment facility</li> </ul>	<p>In procurement.</p>	<p>City of Surrey</p>
<p><b>Project #14</b> <b>Iqaluit International Airport Improvement Project</b></p> <p>Iqaluit, NU Regional and Local Airport Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$77.3M (Planned expenditure in 2017 and thereafter)</li> <li>• Airfield repavement and expansion</li> </ul>	<p>In construction.</p> <p>The final VfM at financial close was 19.2%.</p>	<p>Government of Nunavut</p>

Project Name	Project Description	Status	Eligible Recipient
<p><b>Project #15</b>  <b>Saskatoon Transit Operations Center and Snow Salt-Laden Decontamination Facility</b></p> <p>Saskatoon, SK  Public Transit Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFM</li> <li>• P3CF investment: \$42.9M (Planned expenditure in 2016-17)</li> <li>• Transit maintenance and Decontamination facility</li> </ul>	In procurement.	City of Saskatoon
<p><b>Project #16</b>  <b>Edmonton Valley Light Rail Expansion Project</b></p> <p>Edmonton, AB  Public Transit Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$250M</li> <li>• Transit corridor and Maintenance facility</li> </ul>	In procurement.	City of Edmonton
<p><b>Project #17</b>  <b>Regina Wastewater Treatment Plant</b></p> <p>Regina, SK  Wastewater Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$58.5M (Planned expenditure in 2017 and thereafter)</li> <li>• Expansion and upgrade of wastewater treatment plant.</li> </ul>	In procurement.	City of Regina
<p><b>Project #18</b>  <b>Hamilton Biosolids Management Project</b></p> <p>Hamilton, ON  Wastewater Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$22.91M (Planned expenditure in 2017 and thereafter)</li> <li>• Biosolids treatment plant.</li> </ul>	In pre-procurement.	City of Hamilton
<p><b>Project #19</b>  <b>Safe Clean Drinking Water Program Saint John</b></p> <p>Saint John, NB  Water Infrastructure</p>	<ul style="list-style-type: none"> <li>• DBFOM/DBF</li> <li>• P3CF investment: \$57.3M (Planned expenditure in 2017 and thereafter)</li> <li>• Water treatment plant and network infrastructure</li> </ul>	In pre-procurement.	City of Saint John

Project Name	Project Description	Status	Eligible Recipient
<b>Project #20 Regina Bypass</b>  Regina, SK Core National Highway System Infrastructure	<ul style="list-style-type: none"> <li>• DBFOM</li> <li>• P3CF investment: \$200M (Planned expenditure in 2017 and thereafter)</li> <li>• Ring Road highway, service roads and interchanges</li> </ul>	In pre-procurement.	Province of Saskatchewan

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