

**Speaking Notes  
for the Honourable Lawrence Cannon  
Minister of Transport, Infrastructure and Communities**

**to the 14th Annual National Conference  
on Public-Private Partnerships**

**Toronto, Ontario  
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Good morning, and thank you for the kind introduction.

I would also like to thank the Canadian Council for Public-Private Partnerships for giving me the opportunity to talk to you this morning.

I am sure everyone in this audience has taken note of the recent comments about public-private partnerships made by my colleague the Minister of Finance.

I am sure also that our joint announcement two weeks ago of a call for qualifications of private sector partners in the completion of the Autoroute 30 project in Montreal did not go unnoticed.

Our government sees great opportunity for public-private partnerships in the realm of infrastructure. And perhaps nowhere is the need greater.

Physical infrastructure is the basic building block of any economy – it supports everything, literally and figuratively. This is true for all countries, but even more so for Canada.

We are a trading nation, so it is essential to have efficient ports, airports, and border infrastructure. To be competitive, we must be extra-efficient at moving things around.

Consider just our trade relationship with the US.

Every day, some 36,000 truck trips in both directions, close to 1,500 flights, 300,000 people, and \$1.6 billion in goods and services cross the Canada-US border.

In 2004, the Detroit-Windsor crossings alone handled nearly \$160 billion in trade. More than a quarter of all Canada-US trade goes through that one crossing.

We are more-and-more an urban nation, with growth centered in a handful of ever-expanding metropolitan areas.

The provincial and territorial governments have estimated the need for capital investment in transportation priorities alone over the next 10 years at close to \$100 billion.

If we do not keep pace with the need to replace and renew ageing infrastructure, our quality of life and our economic prosperity will suffer.

We need to think about our infrastructure with real objectives, such as to improve the quality of our environment, the air that we breathe.

It is happening already. A study by my own department estimates the economic cost of traffic congestion in Canada's major urban areas at some \$3.7 billion a year – almost \$1.7 billion a year here in the Toronto area alone. This calculation does not include the cost to our health and quality of life.

Strengthening Canada's economy for the long haul is a priority for Canada's New Government, and the foundation of our economic strength is infrastructure.

There is no doubt that infrastructure is a legitimate area for federal government investment.

And we intend to do that in a framework of open federalism which respects the true spirit of confederation. Federal funding must be put on a predictable, long-term track, supportive of national objectives and responsive to local priorities.

## **Budget**

In Budget 2006, we committed \$16.5 billion to federal support for infrastructure over the next four years. That is an unprecedented amount. It includes:

- \$900 million in new funding for a Public Transit Capital Trust;
- maintaining current funding under existing infrastructure agreements, such as gas tax funding agreements worth \$5 billion over five years; and
- an additional \$6.6 billion in new funding for infrastructure as well as \$591 million for the Asia-Pacific Gateway and Corridor initiative.

We have consulted with provinces, territories, the municipal sector and many stakeholders, including the Council, on the most effective way to use our infrastructure investments to:

- promote a more competitive, productive economy;

- improve the quality of life in Canada's communities;
- achieve tangible improvements in the environment; and
- ensure transparency and accountability to Canadians.

Over the next while, and within the context of our commitment to restore Canada's Fiscal Balance, we will set out how we intend to work with partners to put our infrastructure money to work for Canadians.

As you know, our government emphasizes transparency and accountability to Canadians.

As a government, we have a responsibility to provide every possible assurance to Canadians that we are spending their money wisely.

And for me, that most certainly means partnership with the private sector. Our infrastructure programs are designed to encourage private sector involvement, and we are supportive of this option in instances when provinces, territories or municipal governments signal they see a P3 option as a priority. Within this framework, many models are possible.

Upgrading the Trans-Canada Highway in the Kicking Horse Canyon region of British Columbia is a perfect example.

Almost half the \$130 million cost of the second phase of this three-phase project is being contributed by the federal government through the Canada Strategic Infrastructure Fund. The British Columbia government is arranging the remaining financing with its private sector partner, the Trans-Park Highway Group.

What is interesting here is that the Government of Canada contribution is being delivered by way of milestone payments. As a general rule, the Government of Canada pays on the basis of goods received.

In this case, the private sector partner was able to make a convincing case for milestone payments, and the Government of Canada was able to show the flexibility needed to make the partnership possible.

In fact, as many of you know, we've had a lot of success with P3's over the years – the Confederation Bridge between New Brunswick and PEI is probably the most famous example.

There are many others innovative governance and financing arrangements that have been just as successful – airport and port authorities across the country, the St. Lawrence Seaway, and others. In spite of these successes, however, many Canadians are still wary of the idea of involving the private sector in the delivery of public services.

I think a great deal of that wariness can be attributed to a lack of understanding – and I believe it is incumbent on the government to work with its private sector partners to communicate the value of these projects to Canadians.

There are certainly opportunities for that kind of communication. The Canada Line in B.C. – an 18.5 kilometer light rail line from central Richmond to the Vancouver International Airport and downtown Vancouver – is one.

The financing arrangements for the Canada Line have won two awards from Project Finance magazine – the 2005 North American Transport Deal of the Year, and the 2005 North American Infrastructure Deal of the Year.

The Government of Canada is the largest public partner in this project, with a contribution of \$450 million. Other major public partners include the province of British Columbia, the Vancouver Airport Authority, the Vancouver Transportation Authority, and the city itself. In all, the public sector is contributing more than \$1.2 billion of the \$1.9 billion total cost of the project.

Beyond winning awards, this project shows that P3's can work in the Canadian light rail market – and with the growing need for efficient, sustainable transportation in our cities, the line sets an important example for the future.

This is not to say that every major infrastructure project from now on will be a P3. There will continue to be situations where a more traditional investment is the most appropriate course. The highway through Banff National Park is an example where the federal government pays for, owns, and operates the asset.

The private and public sectors also come together in ways other than through P3s. The New Brunswick Broadband Initiative is an example.

The federal government contributed \$16.5 million toward connecting the province's residents and businesses – more than one-third of the total investment – and in doing so leveraged private sector investment from Aliant Incorporated as well as the contribution from the New Brunswick government.

I want to stress, as well, that in considering these partnerships, we understand that government policies have a direct impact on how much, when and where the private sector is willing to invest.

We all want stability and predictability – no surprises.

We are acting on this.

## **Legislation**

To accompany the Asia-Pacific Gateway and Corridor Initiative, we are proposing amendments to the *Canada Transportation Act*, and we have also tabled a *Canada Airports Act*. Regulatory stability is a principal consideration in both of these – the kind of stability, predictability and coherence the private sector needs to justify major investments in transportation infrastructure that is owned /or operated by private companies.

The *Canada Airports Act* provides for a comprehensive, modern, corporate regime and governance framework tailored to the unique circumstances and structure of airport authorities.

As well, Bill C-3, the proposed new International Bridges and Tunnels Act establishes a modern and streamlined legislative framework that provides clarity and certainty for the approval, construction, alteration, maintenance and operation of international bridges and tunnels.

These legislative initiatives are an indication of the Government of Canada's commitment to creating an attractive climate for private sector investment in infrastructure, while protecting the broad public interest at the same time.

## **Accountability**

And that is certainly a key point. Any public-private partnership involving the Government of Canada must protect the public interest by:

- offering a clear demonstration of value for money, including showing how project risk is distributed between the taxpayer and capital markets;
- tapping into private sector innovation and efficiencies; and
- maintaining the government's role in ensuring effective public oversight.

I referred earlier to the economic importance of the Windsor-Detroit border crossing. We are committed to an efficient and secure gateway, as we have signaled on many occasions. The development of additional border capacity is a national priority for Canada and the United States to support the dynamic just-in-time economies in both countries.

Many of you may be aware that Canada, the United States, Ontario and Michigan are currently working on increasing the long-term capacity of this crossing.

Together, we envision connecting Ontario Highway 401 to the interstate highway system in Michigan. The project will include a new bridge over the Detroit River, Canadian and U.S. customs inspection plazas, and connecting roads to the existing highways.

The partnership is also looking at various governance structure of the crossing, and how contracting and procurement for all the components will be carried out.

Our bi-national team is currently working to determine the optimum location of a new crossing, taking into account the impact on the environment and local communities on both sides of the Detroit River. The environmental studies are scheduled for completion in 2007, approvals are expected to follow in 2008.

Once this is done, property acquisition and design will start, followed by construction. Ideally, the new crossing system will be open for use by the end of 2013.

We are working closely with our partners to examine possible models for private sector involvement on both sides of the border. This will be a rather unique arrangement, involving not just two jurisdictions in Canada, but the state and federal governments in the US as well.

Without prejudging the outcome of the environmental assessment, as we get closer to implementation, we will be working closely with Ontario on the Canadian side of the border to determine who does what for each component or segment of this enormous project from one end to the other. There will be instances where Ontario will lead the work, and others where Canada will need to be front and centre. And of course, there are other elements where we both will be involved together.

I can tell you today, the Government of Canada for its part intends to explore the opportunity to partner with the private sector to design, build, finance, and operate the new crossing.

Public-private partnerships of this sort could be very attractive to the private sector.

When governments and the private sector work together, the public interest can be served for the mutual benefit of Canadians, as well.

I thank you for your time and attention this morning and for your commitment to the issues of Canada's infrastructure.

As you'll have noted, my Deputy Minister, Louis Ranger, is the moderator to this morning's first panel. Louis will be pleased to answer your questions and hear your views.