



Infrastructure  
Canada

Ottawa, Canada  
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Mr. Kevin Page  
Parliamentary Budget Officer  
Library of Parliament  
Ottawa, Ontario  
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Dear Mr. Page:

I would like to thank your Office for taking the time to meet with Infrastructure Canada officials recently to discuss the report on implementation of Infrastructure Stimulus Fund (ISF) released on August 9, 2010. The meeting was very useful and gave Infrastructure Canada officials an opportunity to better understand the methodology and assumptions on which the report was based and discuss some of its conclusions.

I understand that a number of issues were discussed in the meeting, including some concerns with respect to some of the data as well as some of the assumptions used in the report. I wanted to take this opportunity to highlight these issues with you and stress our commitment to work with your Office should you do future reports on the Fund. In particular, our officials agreed that it would be helpful to find some means of verifying information and assumptions in the drafting stage as was done with earlier reports, with a view to ensuring as complete and accurate picture as possible.

1. Spending Data

The cumulative spending figures included on page 2 of the report are not consistent with the actual federal spending in 2009-10 for the ISF. The report states federal expenditures under the ISF in 2009-10 were \$215 M – actual federal expenditures of approximately \$500M were more than double that amount. It would appear that the report did not take into account any accrued costs or payments at year end, which represents a significant amount of activity and expenditure during the previous fiscal year. Also, it did not reflect ISF funds transferred to other federal departments for stimulus projects.

## 2. Reporting and Data Quality

The report stipulates that there are significant inconsistencies in the data, primarily due to the lack of reporting for 25% of the projects. We believe that the database is sound and would note that compared to previous infrastructure programs, the data provided for the ISF is unprecedented in detail and frequency.

Most of the unreported projects fall into two categories which do not undermine the quality of the data collected for the ISF program as the report asserts:

1. *Projects funded under the PRECO program in Quebec (le Programme de renouvellement des conduites d'eau potable et d'eaux usées).* This accounts for approximately 600 projects. As the federal government will only be paying upon project completion, a claim and report are only required at the end of the program. I would also note that Québec's own deadline for completion of these projects (December 31, 2010) is three months before the end of the federal stimulus funding.
2. *Projects that had not started.* Proponents are not required to provide updated reports on projects that were not scheduled to begin. As the report notes, there are a significant number of projects that are scheduled to start in 2010-11. There was no requirement in March 2009 to report on projects that were not scheduled to begin until 2010-11. This does not reflect on the quality of the database itself.

## 3. Methodology and Assumptions

The scenario analysis used in the report – particularly the mid- and worst case scenarios -- is not consistent with our understanding of the projects nor the monitoring that we are undertaking in partnership with the provinces and territories. While their reports show delays in some project starts in the first year from those in the original applications, we do not believe it is appropriate to apply an average delay factor of 30%+ to each project that had not yet started. For example, the report assumes a start delay on unreported projects, many of which were not even scheduled to begin until the 2010 construction season and for which there is no basis to assume a 30%+ delay. In addition, applying a delay factor to all projects under PRECO may be misleading because as noted the program ends three months ahead of the March 31, 2011 deadline.

Furthermore, we have concerns with the assumptions used for the worst case scenario, which was based on ignoring the forecasted construction end dates as

reported to us by municipalities and provinces, as well as ignoring updated estimates of the project duration. We see no basis for ignoring the steps being reported by many proponents to reduce project durations where needed to complete projects by the end of the program.

As your report also notes, infrastructure spending is traditionally more akin to an S-curve as opposed to the linear model in the report. While I understand the complexity of the S-Curve analysis, the linear model would over-represent the amount of spending pushed to the later periods of the program at the end of March 2011.

Finally, the report bases a great deal of its analysis on the "percentage complete" variable from our database. As we have previously explained, this variable was included in the database as an administrative tool to provide a separate check that the amounts claimed were roughly in line with what proponents were separately estimating as the project's stage of completion. We stressed several times that this variable was an internal administrative check and was not intended to be used as the basis for estimating the work completed consistently across the country.

Again I want to thank your officials for meeting with the department to discuss the report. I understand that you will likely be issuing a report on your recent survey in early September/October as well as potentially updating your reports using the latest claims and progress reports as submitted by our proponents. To reaffirm the commitment made by my staff, Infrastructure Canada is willing to review and provide preliminary comments on any draft reports prepared. I am pleased by the positive relationship that exists between our two organizations and we are committed to working with your Office in future.

Yours sincerely,



Yaprak Baltacioglu  
Deputy Minister  
Transport, Infrastructure and  
Communities