



**Canadian Urban Institute
4th Annual Municipal Infrastructure Partnership Conference:**

“Working for Better Roads, Water, Transit and Borders”

Jan 30, 2002

Notes by:
Shelly Gordon
Researcher
CUPE Ontario Regional Office

General Impressions & Comments:

- Session topics at the CUI conference are very similar to those at the Canadian Council for Public Private Partnership's conference. The crowd attending the CUI conference is a little different; with a higher proportion of direct government employees – generally policy makers, planners and senior management. More credence or legitimacy is given to the importance of public opinion and political issues than at the CCPPP conference – i.e. these aspects of a project are not simply derisively dismissed.
- At the CUI conference, as at the CCPPP conference, there is a total, unquestioning acceptance that the only way that new infrastructure will get built is through public-private partnerships of some sort – an inevitability.
- Tied to these public-private partnerships, in almost every instance, is a move to “user-pay” systems and away from the socialization of the costs of providing these services. Tolls for highways, fares for transit, full-cost pricing for water, etc.
- CUI President and CEO: David Crombie.
- Sponsors of the conference (i.e. contributed money): Ontario, Toronto, Halton, York Region, Gowlings (Smith Lyons), Canadian Manufacturers and Exporters, BMO Nesbitt Burns.

Session 1:

“Water and Wastewater Services in the Post Walkerton Era”

**Mike Price, City of Toronto, Water & Wastewater Division General Manager
“Rethinking Water & Wastewater Service Delivery”**

Copy of presentation slides attached.

Summary:

The City of Toronto is undertaking a study of alternative governance options in order to achieve “best value” in water and wastewater service delivery. Price believes that the rate of infrastructure replacement has to be significantly increased. Options for achieving best value include some or all of: reducing operating costs; increasing debt; raising rates; and a new governance model.

Information not in the slides:

- Water revenue currently just under \$500 m. annually.
- Revenue sources: water rate payments; wholesale to York region; reserves (both contributes and draws on reserves each year); capital debentures (none issued since amalgamation). Residential rates are less than 50% of revenue.
- WWw pays \$22 million in inter-departmental charges annually -- \$15m of that to Finance dept. for meter reading, billing, customer service and financial admin.; remainder for fleet, legal, HR, etc. In addition, WWw pays 50% of the technical and support service charges to Works and Emergency Services Dept.
- “Probably paying” \$10m for water used by other departments (?) -- \$2 m for Parks.
- Current revenues do cover current expenditures, but the rate of replacement and repair is not enough to maintain the infrastructure in the long run, to integrate wet-weather flow and to replace sub-standard pipes.
- Existing debt will be retired by 2005 if there is no further borrowing.
- WWw currently has \$27m in contracts with outside service providers for specific functions.
- NO mention of having “enhanced status quo” as one of the options under study, although the Policy and Finance Committee/Council added that to the study mandate last November.
- The report back to City Council may be delayed past June by the Walkerton Part 2 Report and new provincial legislation.

Fred Lazar, York University, Schulich School of Business
“Private Sector Partnership Alternatives”

Copy of presentation attached.

Summary:

Information for the presentation taken from his report for Superbuild on private sector involvement in water services.

The private sector is involved in only about 6% of water/wastewater systems worldwide, most of that in France and the UK. (But Scotland hasn't gone private.)

There is a matrix of possibilities for the level of private sector involvement in water/waste water systems, from simply performing service contracts for small segments of the operation to outright ownership and development of complete systems.

See presentation for details:

- Private corporations with Canadian water deals
- Trends in consolidation in water/wastewater industry

Pointed out that private sector becoming less willing to accept the risk that accrues to actually owning the assets.

Daniel Cowin, Ontario Ministry of Municipal Affairs & Housing
“The Merits of Full-Cost Pricing”

Copy of presentation slides attached.

Summary:

Presentation about Bill 155, Sustainable Water and Sewage Systems Act 2001. It is part of a “package” with the Superbuild OSTAR initiative, the proposed Nutrient Management Act and a groundwater-monitoring network. Bill 155 requires municipalities to undertake a full accounting of the cost of delivering water and sewer services; to develop a plan for recovering the full costs through water-related revenues; and to have all of this submitted to and approved by the provincial government. The legislation is quite general and will rely on the myriad of regulations that have not yet been written/made public.

Information not in the slides:

- Cowin kept emphasizing that it is the “first step to full cost recovery for water and sewer systems”; that revenue sources other than water rates, such as development charges, can still be applied to water. This seems to indicate that their intent is to move away from that at some point, implementing “full cost pricing”.
- Rates for some classes of customers may be capped, forcing full-cost recovery onto the other classes of customers.
- Implementation of this Act will pressure municipalities to look to the private sector to reduce the costs of water and wastewater services.

Harry Dahme, Gowlings Lafleur Henderson
“Contractual Protection for Municipal Water and Waste Water Services”

Copy of presentation slides attached.

Summary:

Gowlings can write a contract between a municipality and a private company that will protect the public and the municipality – that can ensure the security and safety of the water supply and redistribute a reasonable amount of the financial risk to the private operator.

Information not in slides:

- Hamilton has issued an RFP for a study of the “benefits” of public vs. private sector water & waste water operations prior to the end of the contract with Azurix in 2004.
- Dahme made no mention of trade law implications for these contracts.
- Fifty percent of the cost of water/waste water operations is the cost of electricity.

Session 2:

“Opportunities and Barriers to Private Financing of Infrastructure 2002”

Rick Byers, BMO Nesbitt Burns

“Opportunities for and Barriers to Private Infrastructure”

Copy of presentation slides attached.

Summary:

- Government borrowing for capital expenditure has declined since the mid-1990's.
- Private sector borrowing for capital has increased over the same period.
- Infrastructure is a new asset class financed by capital markets.
- The rate of return for private financing for public assets has been good.
- Since 1996 in Canada there has been \$13 b. of financing from private capital markets for public assets.
- Three biggest projects were Nav Canada, Greater Toronto Airport Authority and Highway 407.
- The future looks good for private financing of infrastructure as long as the politicians can handle the political issues and the private sector remains assured of long-term profit.
- The governments of Canada, Ontario and British Columbia are the most active in seeking financing in private capital markets for public assets.

Session 3:

“Tackling Transit Across the GTA: New Mandates, New Approaches”

David Guscott, Ontario Ministry of Transportation, Deputy Minister
“Beyond the GTA: The Inter Regional ^(sic) Transit Strategy”

Copy of presentation slides attached.

Summary:

The Ontario Government wants to “prevent grid lock, provide choice of travel for people and goods and promote access” in the Golden Horseshoe area. To do this it plans to extend Highways 400, 407 and 427 as well as building a new highway through the middle of the Niagara peninsula. Transit will be accommodated in transit corridors beside the highways.

Government funds for new transportation infrastructure are through Superbuild and public/private partnerships. The Ministry issued a Request for Expressions of Interest under the Golden Horseshow Transit Investment Partnerships and had received 75 submissions when it closed late in January. Municipalities who want transit infrastructure have to go through this process.

Bill Fisch, Regional Municipality of York, Chair
“Smart Partnerships, Smart Transit: The York Region Approach”

Copy of speaking notes attached.

Summary:

York Region needs transit. For every 100 commuters who go south to Toronto in the morning to work, 80 drive north to York Region. The only way to get transit funding from higher levels of government is by proposing public/private partnerships, so that’s what York Region is doing. The public (or, as he put it, the media) expresses concern about control over fares and the protection of “taxpayers interests” with privately operated transit, but don’t worry, “trust me”.

Gordon Chong, Chairman ^(sic), GO Transit
“The BRT (Bus Rapid Transit) Business Case”

Copy of presentation slides attached.

Summary:

Chong presented a study that had been commissioned by the GTSB before it was disbanded. He argues that Bus Rapid Transit (or light rapid transit à la streetcar) running in reserved corridors/lanes on/beside major roadways is the answer to meeting the growing need for commuter transit around the circumference of the GTA from suburb to suburb (rather than from the suburbs to downtown and back).

Session 4:
“Opening Up the Border: Local Solutions to Border Pressures”

David McCleary, Regional Municipality of Halton, Senior Policy Advisory & Laurence Rubin, Erie County, Commission of Planning and Economic Development
“Niagara Bi-National Region Economic Roundtable”

Copy of presentation slides attached.

Summary:

The Niagara Bi-National Region Economic Round Table is a public-private sector alliance formed to promote the local economic development of a “trade corridor”. The Roundtable is chaired by John Mayberry, CEO of Dofasco. Local governments involved are (Canada) Halton Region, Niagara Region, City of Hamilton, (U.S.) Erie County, Monroe County and Niagara County.

Session 5:
“Partnership Progress Report”

Leslie Woo, Ministry of Municipal Affairs and Housing, Smart Growth Secretariat
“Smart Growth Panels”

Summary:

The Ministry will be announcing Smart Growth Panels to make smart growth plans for 5 smart growth zones that cover the province. (For instance, instead of the Greater Toronto Services Board.) Smart growth concerns cross several ministries – Municipal Affairs, Transportation, Superbuild, Energy, Science & Technology, Agriculture and Farming, etc. These panels, appointed by the Ministers, will be “multi-stakeholder with significant municipal representation”. Their function will be to advise the Ministers on “aligning policies and programs with Smart Growth objectives”.

Rob MacIsaac, Burlington, Mayor
“Transit and Technology Partnerships for the GTA: A Modest Proposal”

Summary:

Municipalities do not have the revenue sources needed to deal with the costs of the responsibilities that have been downloaded to them by the provincial government. In the short-run they have dealt with this by deferring investment in infrastructure. The only way out of this bind is with private investment. Burlington is part of a local caucus on transit issues with Oakville, Hamilton, Halton, Mississauga and Brantford. Their modest proposal is the introduction, with a private partner, of “smart cards” for integrated transit fare collection across different municipal systems and the introduction of “Vehicle Location Technology”. Governance of public services and delivery of services are separate issues.

Douglas Floyd, DELCAN Corporation
“Covering the Risks: What Do You Do After The Contract is signed?”

Floyd made a sales pitch for a compliance auditing process DELCAN is selling to monitor contract conformance of outsourced services. Copy of presentation slides available. (Not only can the private sector provide the financing and deliver the services, but they can monitor to ensure the public's interests are being met as well!)

**John Howe, Toronto Waterfront Revitalization Secretariat, Ontario Super
Build Corporation**
“Building Partnerships on the Toronto Waterfront”

Copy of speaking notes attached.

Summary:

Revitalizing Toronto's waterfront is critical for Toronto's future – it's our vision for Toronto's future. And the way to realize our vision is through Superbuild. We are looking for private sector “visionaries” to share in “the rewards of revitalization”.

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Canadian Urban Institute presents 4th Annual
Municipal Infrastructure Partnership Conference:

Working for Better Roads, Water, Transit and Borders

8:00 am — 4:30 pm Wednesday, January 30, 2002 ■ Four Seasons Hotel ■ 21 Avenue Road ■ Toronto

Chaired by: The Hon. David Crombie, President and CEO, Canadian Urban Institute

Presentation by:

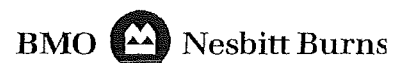
Michael A. Price

GM, Water & Wastewater Div.

City of Toronto

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Rethinking Water & Wastewater Service Delivery

Mike Price
General Manager
Water & Wastewater Services
City of Toronto

Defining “Best Value” in Water & Wastewater Service Delivery

- Right Levels of Service ◊
- Right Governance Structure ◊
- Efficient & Effective Delivery ◊
- Funded Fairly ◊
- Responsive to Public ◊

Why study options now?

- Going through major internal reorganization right now
- Need to revisit corporate charges
- Too much cross subsidization
- Need councillors to be more involved than they have time for
- Need "Board" of business leaders
- Need to keep raising rates

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Current Practice

- Who does what today?
 - ◆ Works & Emergency Services
 - ◆ Water & Wastewater Division
 - ◆ Technical Services Division
 - ◆ Support Services Division
 - ◆ Finance Department
 - ◆ Corporate Services Department
 - ◆ External services

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Current Practice

- How it's financed
 - ◆ Water and sewer rates
 - ◆ Revenue from wholesale of water
 - ◆ Capital Debentures
 - ◆ Reserves
 - ◆ All cover – operating costs, debt charges, and capital reserves
 - ◆ Target: “pay-as-you-go”

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Key Issues

- Capital Investment Requirements
 - ✦ age of infrastructure
 - ✦ substandard pipes
 - ✦ wet weather flow
- Strategies Available
 1. reduce operating costs
 2. increase debt
 3. raise rates
 4. alternative financing

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Strategy #1 Reduce Operating Costs

- Works Best Practices Program
- District Service Improvements Project
- Limiting factors
 - ◆ collective agreements
 - ◆ purchasing and other corporate policies
 - ◆ intra- and inter-departmental chargebacks

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Strategy #2 Increase Debt

- Pay-as-you-go principle endorsed by Council
- No new debt issued since 1994
- If no new debt is issued, current debt will reduce to zero at the end of 2005
- Debt repayment increases annual operating costs
- City has best debt financing

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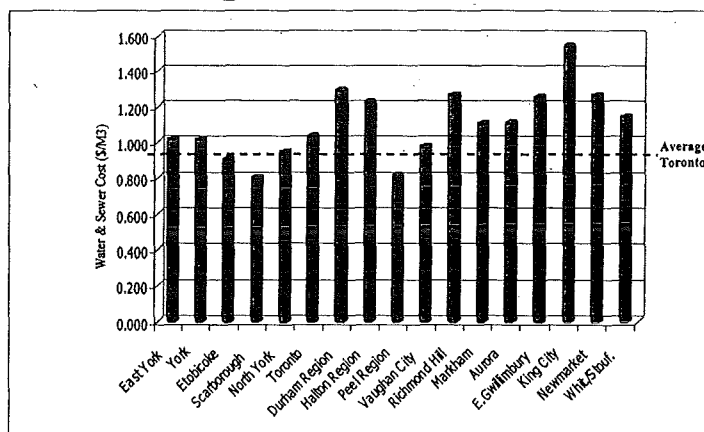
Strategy #3 Raise Rates

- Average residential rate low compared across GTA
- Average industrial rate high
- Residential users represent less than 50% of revenue earned
- Council has approved a 9% increase for 2002
- Council acknowledges further increases are necessary

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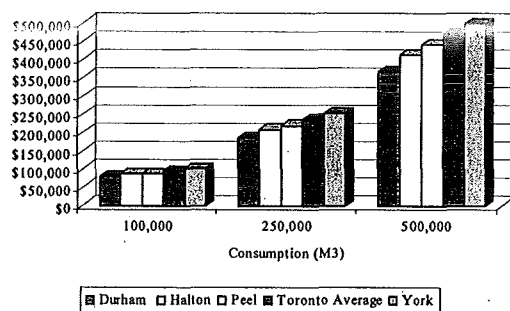
Comparison of Costs - Average Residential



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Comparison of Costs - Large Volume Users



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Strategy #4 Structural Options

- ABC (appointed board)
- Public Utility Commission (elected board)
- Utility Corporation
 - ◆ Separate (water, sewer, or water-sewer)
 - ◆ Combined with other utilities
- Partnership
 - ◆ Public sector
 - ◆ Private sector

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What Others Do

- In the GTA
 - ◆ All operate within municipal structure
- In Ontario
 - ◆ Mix of municipal and PUC models
 - ◆ Kingston, Peterborough and Windsor have Public Utility Commissions

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Public-Private Partnerships

- Range of contracts
 - ◆ function-specific
 - ◆ facilities operation & maintenance
- City of Hamilton
 - ◆ O&M contract with Azurix
 - ◆ 10-year agreement, 1995-2004
 - ◆ estimated annual savings < 5% of operating budget

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Next Steps

- Pursue analysis of options under all four strategies
- Structure options require study
 - ◆ Scope of proposed study
 - ◆ Staff and political involvement
 - ✦ Staff Working Group
 - ✦ Technical Reference Group
 - ✦ Council Reference Group
 - ◆ Timeframe, cost, expectations

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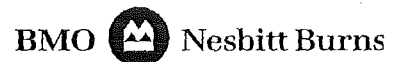
Chaired by: The Hon. David Crombie, President and CEO, Canadian Urban Institute

Presentation by:

Fred Lazar

Schulich School of Business
York University
Tel: 416-736-2100

Sponsored and supported by:





CANADIAN URBAN INSTITUTE

Fourth Annual Infrastructure Partnership Conference

January 30, 2002

Section: Water and Wastewater Services in the Post-Walkerton Era

“Private Sector Partnership Alternatives”

Dr. Fred Lazar
Schulich School of Business
York University
Toronto

INTRODUCTION

- By the end of 2000, at least 93 countries had either sold or outsourced some aspect of the provision of water or wastewater services to the private sector or were in the process of doing so.
- Outside the UK and France, the level of private sector participation in the water industry is very limited.
- Notwithstanding the number of countries that have adopted private sector participation, only about 6% of the world's population are served by water and wastewater systems that are managed by the private sector.

PRIVATE SECTOR PARTNERSHIP ALTERNATIVES: A MATRIX OF POSSIBILITIES

- There are many points on entry/involvement by private sector in municipal water and wastewater systems – in effect a matrix of possibilities. That is, **there is no single model for private sector partnerships.**

Complete municipal water and wastewater systems consist of the following operations:

- Raw water storage – Dams, wells, bores, lakes etc.
- Pumping stations & raw water supply networks – Deliver raw water to water treatment plants
- Water treatment plants
- Distribution network connecting treatment plant(s) with intra- municipality water distribution network
- Intra-municipality water distribution network
- Intra-municipality sewage collection network
- Sewage treatment plants
- Solid waste disposal units
- Wastewater outfall systems
- Customer service operations
- Billing & collection, call centre operations, metering services etc.
- Network maintenance operations

Private sector can be involved in several ways in any one or more of the above segments of municipal water and wastewater systems:

- Services contracts
- Management contracts
- Providers of debt capital
- Lease contracts
- Greenfield contracts
- Concessions
- Ownership of assets

- Generally, private operators of public utilities and contract operations prefer not to invest their own capital or own assets. The reasons for this include:
 - Investor-owned utilities have high expected rates of return on investment, and competitively tendered capital projects are bid at lower, competitive rates of return. Capital for these projects is better provided by investors with lower return requirements;
 - Operating and maintenance contracts offer much higher returns on equity, since little or no investment capital is required; and
 - Some utilities prefer to avoid the environmental liability and other risks that attach to the ownership of assets.

EXAMPLES

Service Contract

- Under a service contract, the public sector remains the primary provider of the infrastructure services but contracts on a “fee-for-service” basis with a private sector operator to undertake specified tasks. For example, the service contract could cover any of the services of water and wastewater operations, such as tariff collection, meter reading, operation of a treatment plant, billing and collection, water distribution services, tunnelling, design, information technology and construction activities.
- Service contracts are a relatively simple and low-risk option for expanding the role of the private sector. Typically, service contracts are awarded after a competitive tendering process, which provides the discipline to keep costs low.
- Service contracts do not generally involve the introduction of private sector capital, nor do they create a base to optimize the entire infrastructure system since they only address discrete services contracted to the private sector operator.

Management Contract

- A management contract is a more comprehensive form of service contract under which the public sector appoints a private sector operator to manage all or part of its operations. Under such contracts, the bulk of the commercial risk and all the capital and investment risks remain with the public sector. However, the private sector generally takes greater responsibility for operational decision-making and the introduction of operating efficiencies.

Lease Contract

- Public sector leases the full operation and maintenance of its facilities within an agreed geographic area to a private operator for a period of time, say, ten years. The lease contract differs from a management contract by transferring revenue risk to the private sector operator. Through the lease contract, the operator has the right to invoice and collect charges from customers within the area. The public sector utility continues to own the assets and remains responsible for major extensions and upgrades. The additional benefit to the public sector of a lease contract over a management contract is the allocation of revenue risk to the private sector, which provides an incentive to reduce costs and to efficiently collect revenues from customers.

Greenfield Project Development

- Forms of greenfield project development arrangements, such as Design Build Operate (DBO) and Build Own Operate Transfer (BOOT), combine concession arrangements with new infrastructure procurement or rehabilitation. Under these arrangements, the private sector typically designs, constructs, finances and operates new infrastructure facilities or substantially renovates existing facilities. The term of the arrangement must be long enough to allow the private sector to earn a fair return on investment – generally around 20-30 years. At the end of the contract term, ownership and control of the facilities is usually transferred to the public sector.
- These greenfield project arrangements tend to work well for larger projects that require significant capital investment. The public sector typically issues these types of contracts for the construction and operation of specific infrastructure facilities, such as bulk supply reservoirs, pipeline systems, water or wastewater treatment plants, waste transfer and waste disposal plants. The contract typically involves one facility and not the entire water and wastewater system.
- Under these arrangements, the private sector often (but not always) provides the capital to build the new facility. In return, the public sector agrees to purchase a level of output to ensure that the private operator recovers its costs and is able to finance capital investment.

Concession

- Concession contracts are similar to lease contracts although they generally cover an entire system, with the additional allocation to the private sector operator of responsibility for infrastructure investment. Under a concession contract, the public sector awards the private sector operator (concessionaire) full responsibility for the operation of the infrastructure service delivery in a specified area with full responsibility for operating the business, including asset renewal and expansion. The assets remain publicly owned with the public sector also responsible for establishing performance standards and ensuring that the concessionaire meets them.

- Concessions are usually awarded for time periods of over 20 - 30 years. The duration depends on the contract requirements and the time needed for the concessionaire to recover its costs.

Divestiture

- Divestiture represents the sale by the public sector of its infrastructure assets through the sale of a publicly-owned utility. Full divestiture of water and wastewater assets is rare. More frequently, divestments take the form of partial assets sales.
- Another variation of full privatization is a joint venture where the infrastructure service is operated on a private model but is jointly owned by a private sector operator and the public sector owner.

THE CANADIAN EXPERIENCE

- In Canada, the provision of water wastewater services is generally the responsibility of local governments. In most cases, municipal governments own and operate the water and wastewater systems serving their respective communities.
- Financial support for capital investments is supplied by the federal and provincial governments through the provision of grants and long-term debt. However, operating and maintenance expenses are generally self-funded.
- Canadian municipalities have fewer revenue sources than their US counterparts. In the US, municipalities can impose sales taxes, income taxes and/or issue tax-exempt municipal bonds. Property taxes account for almost 50% of the total revenues of Canadian municipalities, whereas, in the US they account for only 21%. User fees on the other hand generate about 20% of the revenues of Canadian municipalities compared to one-third for US municipalities.
- The federal and provincial governments are also responsible for the development, implementation, and enforcement of drinking water quality and environmental regulations within their respective jurisdictions.
- In 1996, the National Round Table on the Environment and the Economy estimated that over the following 20 years, Canada would need to invest between \$38 billion and \$49 billion to upgrade and maintain existing infrastructure, and a further \$41 billion in new infrastructure. These estimates did not take into account likely tightening of environmental and water quality standards in the future. Furthermore, the Round Table warned that its estimates were conservative, and that high-end projections for new infrastructure requirements were around \$100 billion.
- To date, the involvement of the private sector in the ownership and management of municipal water supply and wastewater systems has been limited. Only a few water and wastewater operation contracts have been tendered in recent years and many of these have been won by Canadian publicly-owned bodies such as EPCOR and OCWA.

- The few major private sector water companies that have been awarded operating contracts in Canada include US Filter Operating Services (through USF Canada Inc.), CH2M Hill (through OMI), Azurix (through Azurix North America) and American Water Works.
- In Ontario, many municipalities have entered into management contracts for a portion of their municipal water and wastewater operations, primarily with OCWA. The large European and US firms also have entered into the Ontario market. For example,
 - In 1998 the Regional Municipality of Haldimand-Norfolk entered into a five-year management contract with US Filter Operating Services. The contract requires US Filter Operating Services to provide operation and maintenance services to 13 wastewater treatment facilities, 43 pumping stations, related water mains and management of the biosolids land application program. (USFilter is a subsidiary of Vivendi.)
 - USF also been awarded a 15-year management contract to operate the biosolids-reuse system the company designed and built for the City of Toronto.
 - Through North West Water Canada, United Utilities has a contract to develop the \$911 million long-term water strategy for the Region of York, Ontario. This contract includes the project management of an Environmental Assessment and the construction of a new \$30 million water treatment facility.
 - Azurix has a 10-year contract to operate Hamilton-Wentworth's water and wastewater systems.
- US Filter pioneered the first major drinking water Public-Private Partnership, in 1998 with the City of Moncton, New Brunswick.
- CH2M Hill through OMI has an 8-year contract to operate and manage the wastewater system for Fort Saskatchewan, Alberta.
- United Water has a 5-year contract to operate the wastewater treatment system in Banff.

THE US EXPERIENCE

- Privately-owned and operated utilities have supplied drinking water to communities in the United States since the 1600s. At the beginning of the 19th century, investor owned water utilities served 94% of the US market. Their share of the market progressively fell as government involvement increased.
- Almost a third of all water systems are privately owned, however, the majority of these systems are very small. Only 15% of the population obtains its water supply from privately operated systems.
- Of the thousands of private water utilities in the United States, there are about 15 large utilities which dominate the market.

- There is a rapidly growing market for contracts to operate publicly owned water and wastewater systems within the United States and many of the larger utilities have created contract operations subsidiaries to take advantage of these opportunities.
- In 2000, the top 17 private outsourcing firms operating in the US were responsible for the operation of 2,273 municipally owned water and wastewater facilities through contracts with 1,882 public clients. Within this small group of companies, the top five operators (including three foreign owned companies), control over 70% of the market
- A particular driver for change within the US water and wastewater industry was the 1997 change to the US tax code which permitted, for the first time, public-private partnerships of more than five years in duration. Since this time, the market for contract operations in the US water and wastewater industry has grown rapidly.
- There is also a large market in the US for the contract operation of water systems for industrial companies wishing to outsource non-core activities.

THE FRENCH EXPERIENCE

- Water and wastewater systems are still publicly owned, however the majority have been operated by private companies since the 19th century.
- The responsibility for water and sewerage services rests with 37,000 municipalities (or communes). The large majority of these have small populations (under 2,000 people). A number of municipalities have joined together to form 'syndicates de communes' to operate their water and wastewater services – either because they are too small to operate efficiently or because their systems overlap. There are currently around 13,500 water distribution and 15,000 sewerage services areas.
- Under the French system, municipalities (or syndicates) own the infrastructure and may provide water and wastewater services directly, or delegate the service provision to a private company. Services in water and wastewater tend to be franchised separately rather than together, and delegation usually excludes the provision of resources, which remains the responsibility of the municipality.
- Private sector involvement occurs throughout all regions of France, with a mix of private and public operators providing services in both cities and small municipalities.

- Only a small proportion of capital investment is provided by private companies in France. The bulk of funding is provided by the government and the municipalities themselves.
- In 1997, the market share of private operators in the water sector was estimated at around 75% in terms of customers served. The market share of private operators is lower for sewerage services: in 2000 approximately 50% of sewerage connections were serviced by private operators.
- The two dominant French utilities – Vivendi and Suez – are the largest providers of water and wastewater services in the world, each serving populations in excess of 100 million in over 100 countries around the world.
- Along with the third major French operator, Société d' Aménagement Urbain et Rural ("SAUR"), the three largest companies account for 96% of the national market.

THE UK EXPERIENCE

- The water and wastewater systems supplying England and Wales were fully privatized in 1989.
- The private water and wastewater utilities that were created are heavily regulated both in terms of performance requirements and revenue. Several of the ten large utilities – including Thames Water, North West Water, Anglian Water, Severn Trent Water and Yorkshire Water – have expanded internationally (largely to promote growth and reduce exposure to regulated returns) and now provide water and wastewater services to millions of people around the world.
- Responsibility for water and wastewater services in England and Wales rests entirely with the private sector. Ten investor owned water and wastewater utilities each serve large regions (roughly conforming to water catchment areas). These 10 companies provide 100% of wastewater services and about 75% of water supply. The remaining 25% of water supply is provided by 15 smaller investor owned water only utilities.
- In Scotland, responsibility for water and sewerage services remains with the public sector. There are three water authorities which operate under the jurisdiction of the Scottish Office. Recently much of the development and operation of water and wastewater infrastructure in Scotland has been outsourced to the private sector, generally through contracts with consortia, generally consisting of private UK water companies and local and international engineering firms.
- All companies are regulated by the Office of Water Services (Ofwat). Key areas regulated by Ofwat include compliance with drinking water quality and environmental standards and the setting of water rates. Rates are set every five years using a formula that allows water rates to rise by the Retail Price Index ("RPI") plus "K". The "K" factor is set at a level considered appropriate by Ofwat in order to

allow water and wastewater companies to generate sufficient revenue to cover running costs, maintenance costs and the level of capital investment necessary to meet the relevant water quality and environmental standards.

- In the first ten years of privatization, the K factor was set at over 5 % and water rates rose significantly. In Ofwat's most recent pricing determination however, rates were cut by an average of 12.3% and the K factor was set at -2.3% per annum for the following four years, while investment and service quality targets remained high.

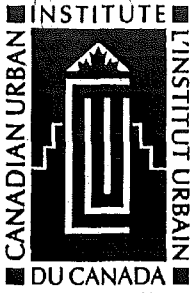
CONCLUSIONS

- Forms of private sector partnerships include:
 - Outsourcing, where functions rather than assets are transferred, through service contracts or management contracts;
 - Involving the private sector in the partial or temporary ownership of assets, through lease contracts or Build-Operate-Transfer schemes;
 - Concession contracts; and
 - Full divestiture of assets.

Why Involve the Private Sector

- Typically, the public sector has turned to the private sector in order to achieve the following objectives:
 - Access to technology and expertise at least cost;
 - Enhanced access to capital;
 - Assistance in bearing risks;
 - Security of supply, expansion of infrastructure;
 - Protection of the environment;
 - Reliable quality, and the achievement of service standards;
 - Compliance with other legal and regulatory requirements;
 - Stable tariffs;

- Minimum possible commercially viable tariffs; and
- Accountability to the electorate and customers.
- Five trends have defined consolidation within the water and wastewater industry. These five trends are:
 - The consolidation of small utilities within geographical markets (especially in the fragmented United States market);
 - The international expansion of large investor-owned water and wastewater utilities;
 - The consolidation of system management worldwide through joint ventures and municipal outsourcing contracts;
 - Diversification between water and wastewater utilities and related industries such as product suppliers and engineering and construction firms; and
 - Convergence of water and wastewater utilities with power utilities.
- It will normally be necessary for the government to create a regulatory agency to ensure that drinking water quality and other environmental standards are met. In Canada, provincial governments are currently responsible for these forms of regulation. Depending on the type of public-private participation option selected, there may be a need for further regulatory interventions. In the case of full divestitures, a regulatory body will have to be established to review or set prices.
- In the case of longer-term contractual arrangements, in particular, lease, BOT and concession contracts, a regulatory body will have to be created to adjudicate / arbitrate disputes regarding the obligations of both the public and private sectors under the terms and conditions of the contract. In the absence of a third party with powers to enforce the terms of contracts, the public and private signatories to the contracts may engage in opportunistic behaviour which will diminish the attractiveness of these types of options.



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8:00 am — 4:30 pm Wednesday, January 30, 2002 ■ Four Seasons Hotel ■ 21 Avenue Road ■ Toronto

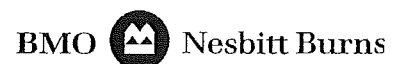
Chaired by: The Hon. David Crombie, President and CEO, Canadian Urban Institute

Presentation by:

Daniel Cowin

Director, Mun. Finance Branch
Min. of Municipal Affairs and Housing
Tel: 416-585-6951

Sponsored and supported by:





Full Cost Recovery for Water And Sewer Systems

Presented by: Dan Cowin
Ministry of Municipal Affairs and Housing

January 30, 2002



Topics

- Operation Clean Water Initiatives
- Overview of Bill 155
 - A first step to full cost recovery for water and sewer systems.
- See: www.e-laws.gov.on.ca
- Objectives/Benefits of Bill 155
- Next Steps



Context

- The proposed legislation is consistent with the other steps the government has taken to ensure safe drinking water in Ontario under Operation Clean Water. These other steps include:
 - The SuperBuild OSTAR initiative (\$240 M) provides funds for upgrades and expansion of water and sewage infrastructure.

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Context (con't)

- The proposed *Nutrient Management Act, 2001* which would establish consistent standards for nutrient management on farms and help ensure our sources of drinking water are protected.
- Establishment of a \$6 M groundwater monitoring network

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Sustainable Water and Sewage Systems Act, 2001

- On December 12, the Minister of Municipal Affairs and Housing introduced the Sustainable Water and Sewage Systems Act, 2001. Copies of Bill 155 can be downloaded from the government's website.
- The purpose of the Act is to ensure that water and sewer systems generate sufficient revenue to recover fully all their long-term operating and capital costs.

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SWSS Act 2001 (con't)

- The legislation establishes a framework of regulatory powers for the Minister. Detailed regulations will specify how full cost recovery is achieved.
- The legislation will be carried over into the next session of the Legislature.

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SWSS Act 2001 (con't)

- The legislation applies to public water and sewage systems. The definition of systems will be further defined through regulation.
- Implementation will take place through phased regulations:

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Cost Reports

- Proposed Act requires water and sewer system owners, (mainly municipalities), to undertake a full accounting of the costs of delivering water and sewer services.
- This would include all operating and capital costs, all sources of revenue, and the investment required to keep these systems safe.

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Cost Reports (con't)

- Regulations will include provincially prescribed reporting and asset management practices
- The timing of financial reports will be set by regulation
- Once the Minister has approved or amended a regulated entity's financial report, the costs identified become the "full cost" of water or sewage services to be recovered.

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Cost Recovery Plans

- Cost recovery planning – the regulated entities submit plans for recovering all costs in the cost report.
- Cost recovery implementation – the regulated entities implement plans as approved by the Minister.
- The details of full cost recovery will be developed through future regulations.

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Cost Recovery Plans (con't)

- These full cost regulations will be a key component in the government's long-term water and sewage investment and financing strategy.
- Cost Recovery Plan will include revenues from all sources and show that all costs are being recovered.
- Initially, emphasis on full cost recovery vs full cost pricing.

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Cost Recovery Plans (con't)

- The details of acceptable revenue sources and cost recovery methods will be specified through regulation.
- The regulations may also cap the amount by which a regulated entity may increase rates for an customer or class of customers over any period of time.
- Cost recovery plans will be reviewed, revised and approved by the Minister.

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The Legislation Will:

- Require the collection of cost statements and cost recovery plans from public water and sewer systems.
- Require providers to report all operating costs, capital costs and associated revenues, both present and future.
- Ensure sustainable funding for all costs of water and wastewater systems.
- Ensure long-run planning and life cycle asset management practices.

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The Legislation Will:

- Provide flexibility for reporting and recovery of any future costs imposed on regulated entities through new regulations or organizational structures.
- Ensure covered systems develop cost recovery plans to identify all systems costs including life cycle asset management and matching revenues.
- Enable a variety of revenue sources to be used as funding sources in cost recovery plans.

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The Legislation Will:

- Ensure cost recovery plans are submitted to the Minister
- Enable Minister to order changes to cost recovery plans prior to approval.
- Ensure all revenues collected for water and sewer purposes are used for water and sewer expenses.
- Enable Minister to order regulated entities to implement cost recovery plans
- Allow for flexible implementation timelines.

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What the Legislation Does **NOT** Do

- This Act will **not**:
 - Apply to private and communal systems.
 - Establish new fees to be accounted for (watershed management of wellhead protection).
 - Redistribute revenue among municipalities.
 - Create a watershed management approach.
 - Re-organize water and sewer systems.
 - Recover all costs from water rates alone.
 - Change existing water and wastewater regulation.

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Future Initiatives

- Some issues not addressed in this act may be addressed down the road.
- Further down the road, for example, the government may decide to move to full cost pricing and limit some types of revenue sources.

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Next Steps

- Review the 8 SuperBuild consulting studies.
- Review Part II of Justice O'Connor's report on Walkerton.
- Begin consultation with AMO, municipal associations and other stakeholders.

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Some Things To Ponder

- The definition of water and sewer systems covered under the Act.
 - Should they include or exclude private systems?
 - Should smaller public systems be treated differently?
 - Should storm water systems be included?

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Some Things to Ponder (con't)

- Reporting and asset management practices:
 - What should be included as water costs?
 - What reporting rules should be used to record costs and revenues?
 - How should assets be valued?
Depreciated?
 - What asset management procedures should be used; should they be phased-in over time?

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Some Things to Ponder (con't)

- The timing of implementation and the frequency of reports:
 - When should the first full cost accounting reports be required?
 - When should the full cost recovery plan be required?
 - How frequently should water and wastewater systems report?

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Next Steps

- The province will be working closely with municipalities to ensure that infrastructure needs are identified and that strategies are developed to meet those needs.
- The government is waiting for the Walkerton Inquiry's Part 1B recommendations before moving forward with full cost recovery. The report is expected in Spring, 2002.

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Next Steps (con't)

- Findings from the SuperBuild studies on water delivery, financing, pricing and management will be used in developing the Regulations.
- This initiative will be phased in slowly.



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Presentation by:

Harry Dahme

Partner

Gowling Lafleur Henderson

Tel: 416-862-4300

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GOWLINGS

Incorporating the practice of SMITH LYONS

Contractual Protection for Municipal Water and Waste Water Services



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January 2002

Our Experience

- Regional Municipality of Peel, South Peel
Water and Waste Water Facilities
- Lake Huron and Elgin Area Primary Water
Supply Joint Boards of a Management

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Principles Governing the Procurement

- Municipal ownership of facilities
- Adequate supply to meet growth projections
- Maintenance and improvement of quality
- Asset protection
- Achievement of efficiencies
- Limit risk
- Continuity of Service



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Objectives

- Satisfy Principles
- Qualified Operator
- “Best Value”

BEST
Value



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Operator Selection

- Identification of objectives
- RFQ/RFP Process
- Service Agreement



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RFQ/RFP Process

- Identifies a qualified operator capable of achieving the objectives while delivering the services at the best value
- Service Agreement
 - Ensures the required services are delivered
 - Ensures best value is provided
 - Ensures the objectives are met

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Service Agreements

- Identifies services to be delivered
 - Operations
 - Laboratory testing
 - Computerized monitoring
 - Human Resources (including training and maintenance of certification)
 - Regulatory Compliance and Reporting
- Preventative Maintenance
- Janitorial
- Security
- General Building Maintenance
- Provisions of Utilities and Energy
- Waste Handling

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Quality of Service

- Service Agreement specifies level of service
- Provisions for monitoring and reporting
- Penalties and financial incentives
- Ensure level of service is achieved (and exceeded)

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Quantity

- Quantity specified, including growth and demand over the Term
- Real time, on-line monitoring
- Power of inspection
- Periodic reporting
- Penalties include financial penalties and termination of agreement resulting in loss of performance, letter of credit
- Use of a 3-year rolling business plan

GOWLINGS

Quality of Supply

- Criteria specified include minimum acceptable criteria, municipal specific criteria and performance incentive criteria
- Specifies required testing, monitoring and reporting
- Real time, on-line access and power of inspection
- Mandatory periodic meetings
- Periodic reporting
- Penalties for non performance incentives for enhanced performance, and possible termination and loss of performance letter of credit for non performance
- Use of a 3-year rolling business plan

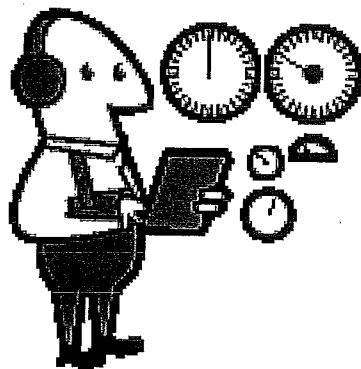
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Maintenance

- Level of maintenance specified
- Computerized preventative maintenance system
- Pre-condition and post-condition surveys
- Annual condition surveys
- Penalties for failure to maintain and meet maintenance expectations for the facilities, including possible termination and loss of performance letter of credit, balanced with incentives for achieving targets
- Insurance

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Efficiencies



- Monitoring on reporting on existing operations
- Financial incentives for implementation of efficiencies

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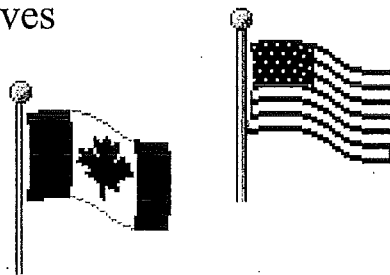
Best Value

- Fixed fee per cubic metre
- CPI adjustment
- Limited number of allowable adjustments

GOWLINGS

Conclusion

- Available experience in Canada and the United States confirms that contractual agreements can achieve municipal objectives



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Canadian Urban Institute

Opportunities for and Barriers to Private Infrastructure

January 30, 2002



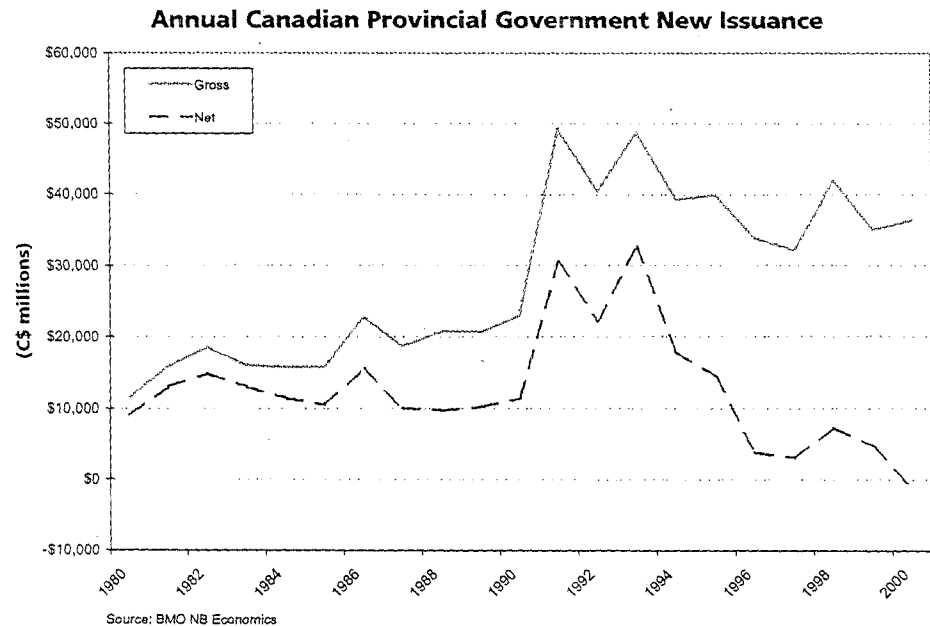
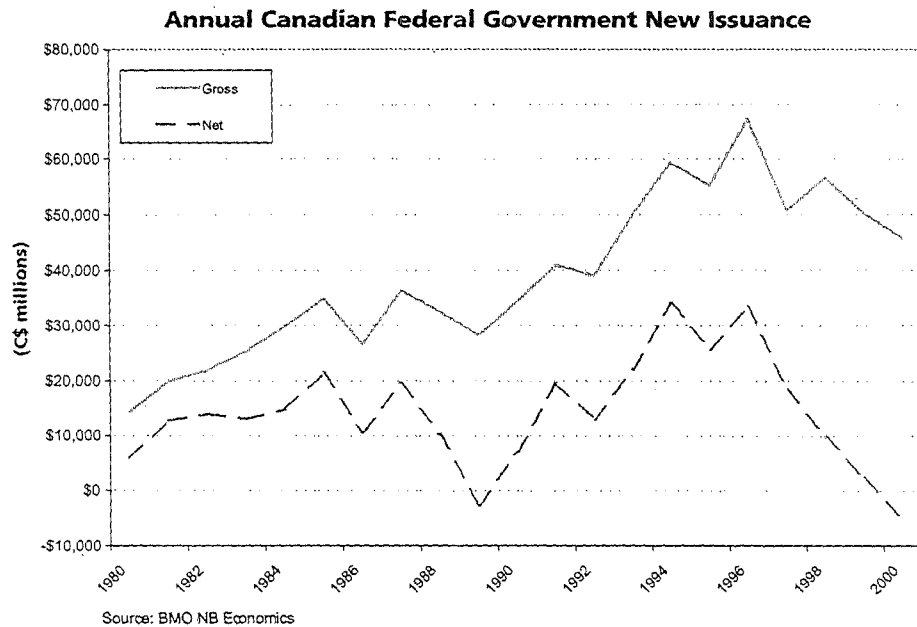
Outline

Section	Page
1. Evolution of Capital Markets	1
2. No Shortage of Capital	6
3. (Potential) Barriers	7
4. Next Steps	12



Evolution of Capital Markets

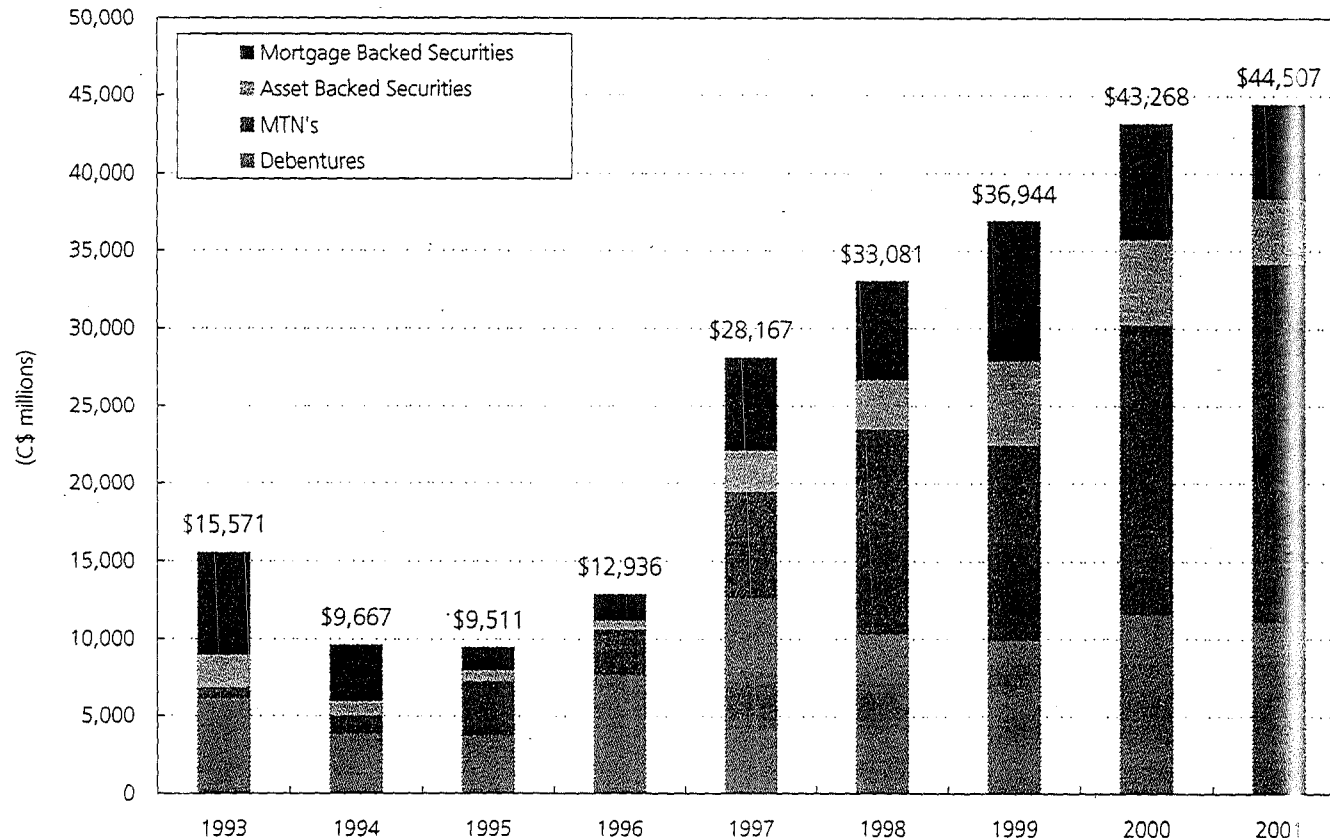
- Government borrowing has declined since the mid-1990's



Evolution of Capital Markets

- Corporate borrowing has increased during this period.

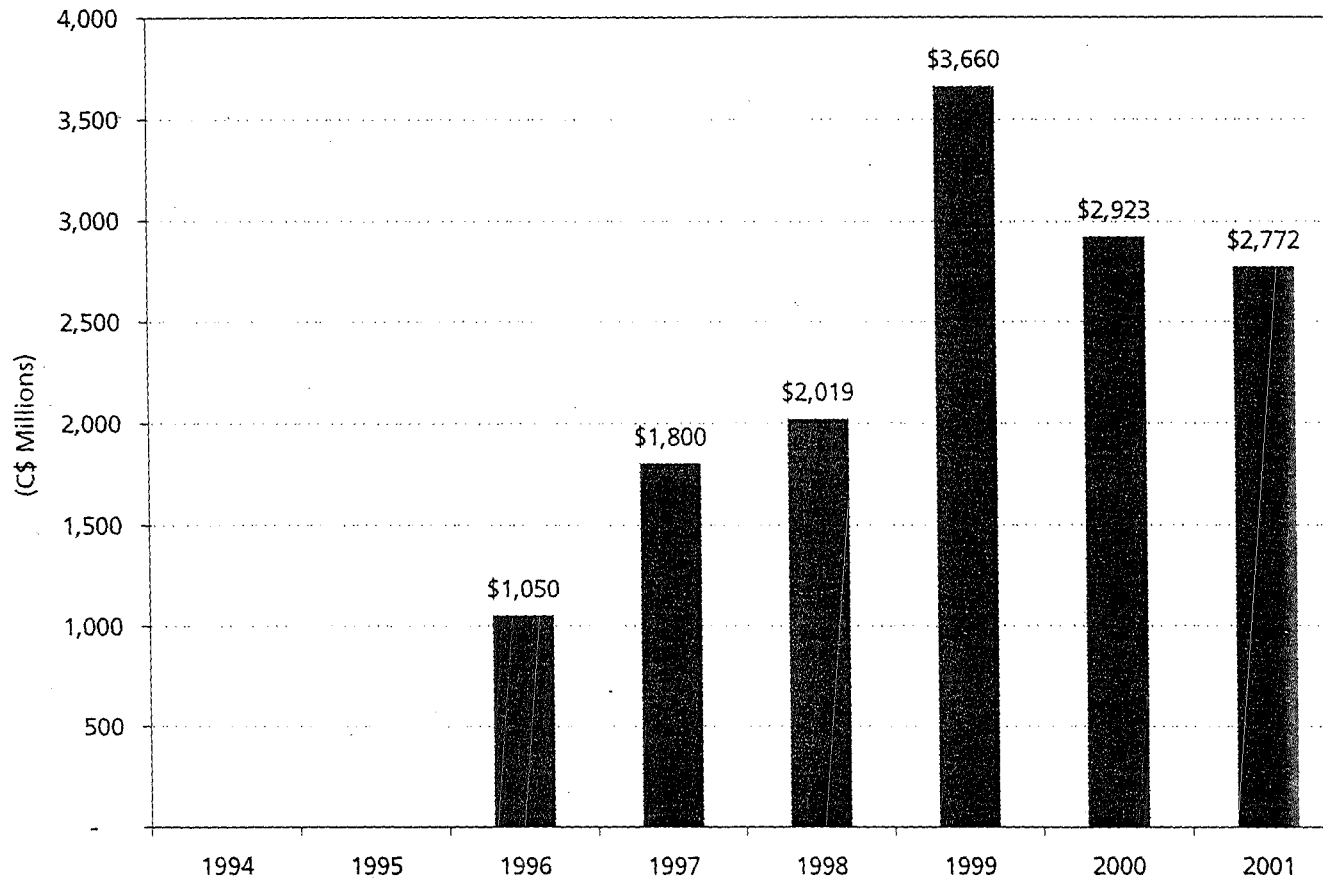
**Canadian Public Debt Market New Issuance
1993 to 2001**



Evolution of Capital Markets

- Infrastructure: a new asset class.

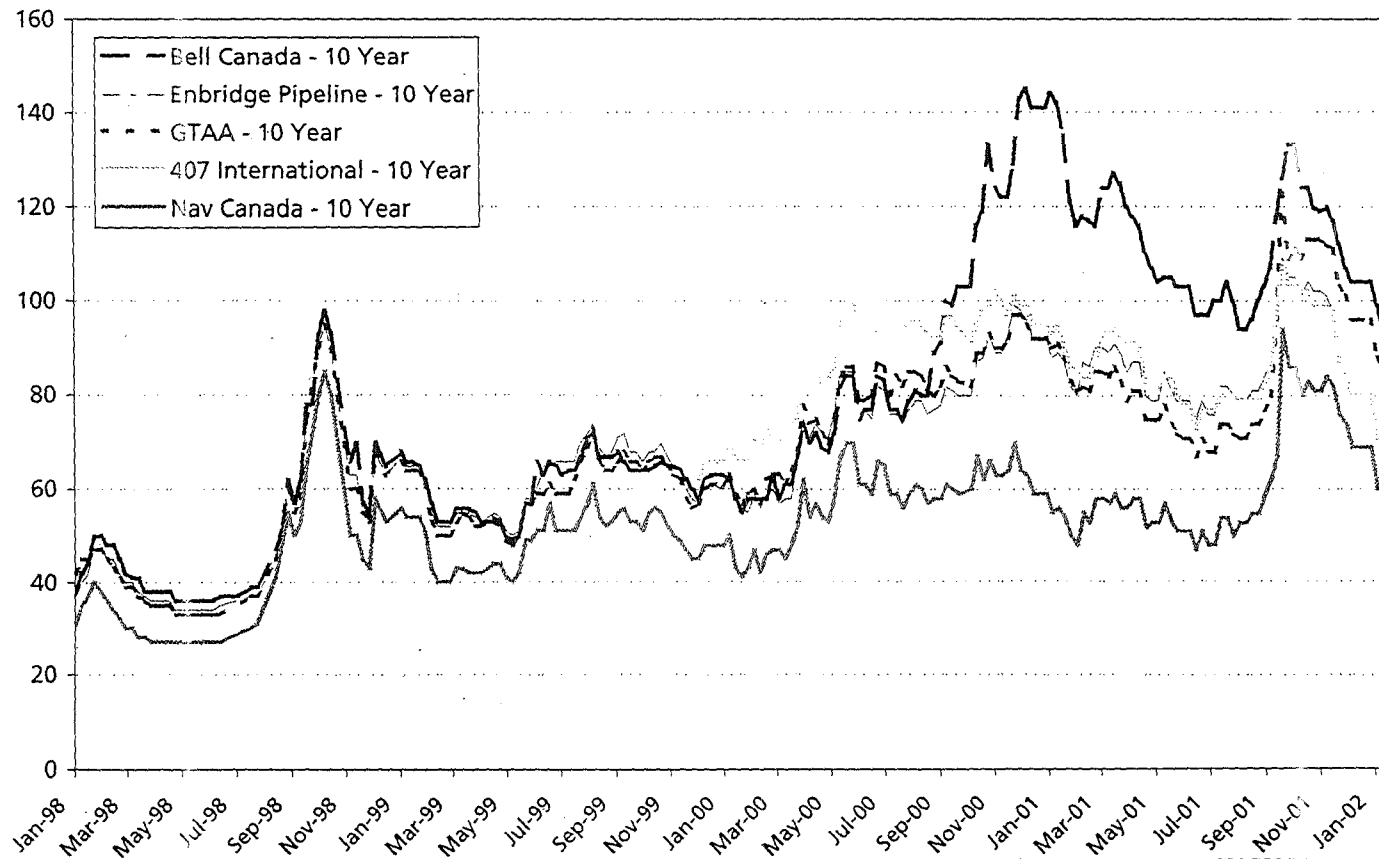
Canadian Project/Infrastructure Financings



Evolution of Capital Markets

- Spreads on infrastructure bonds have performed well.

10 Year Comparable Spreads



Evolution of Capital Markets

Infrastructure Characteristics

- revenue stream
- predictable activity levels
- historical financial information not relevant
- traffic history relevant
- definable risks



No Shortage of Capital

Infrastructure Financings

Issuer	Date	Original Term	Amount (\$mm's)
Highway 104 NB	April 1996	15 & 30 Yrs	\$61
Nav Canada	December 1996	5, 10 & 30 Yrs	\$750
	March 1997	7 & 30 Yrs	\$750
	November 1999	9.5 Yrs	\$250
	November 2001	3 Yrs	\$250
Vancouver Airport	December 1996	10 & 30 Yrs	\$300
Halifax-Dartmouth Bridge	November 1997	10 Yrs	\$100
GTAA	December 1997	5, 10 & 30 Yrs	\$950
	July 1999	30 Yrs	\$500
	June 2000	30 Yrs	\$250
	July 2000	10 Yrs	\$325
	January 2001	10 & 30 Yrs	\$575
	May 2001	30 Yrs	\$500
	January 2002	10 Yrs	\$500
F-M Highway	January 1998	28 Yrs	\$150
	February 1998	30 Yrs	\$540
Milit-Air	May 1998	20 Yrs	\$720
Strait Crossing Development	June 1998	33 Yrs	\$328
Toronto Hospital	December 1998	24 Yrs	\$281
Hydro One	May 2000	5, 10 & 30 Yrs	\$1,000
	June 2001	10 & 30	\$550
407 International	July 1999	10, 30 & 40 Yrs	\$1,015
	August 1999	17, 22, 27 & 32 Yrs	\$505
	October 1999	7 Yrs	\$400
	January 2000	40 Yrs	\$253
	March 2000	7/30 Yrs	\$430
	May 2000	7 Yrs	\$300
	July 2000	10/30 Yrs	\$165
	July 2001	3 Yrs	\$220
	November 2001	2 Yrs	\$205
Total			\$13,123



(Potential) Barriers

- A number of (potential) barriers:
 - policy/politics
 - transaction characteristics
 - decision-making structure
 - process



(Potential) Barriers

Policy/Political Issues

- Many political/policy issues exist.

Sector	Issue
Water	▪ Walkerton fallout
Transit	▪ Coordination among regions
Roads	▪ Tolling, free alternatives
Borders	▪ Security vs. free-flow



(Potential) Barriers

Transaction Characteristics

- Appropriate allocations of risk and reward
- Long-term investment horizon
- Well-defined objectives
- Service delivery consistent with existing levels



(Potential) Barriers

Decision-making Structure

- Governance model critical
- Constituent boards of directors
- Cooperation required:
 - three levels
 - regions
- "GTA Transit Authority"



(Potential) Barriers

Process

- Commitment
- Champion (political, system)
- Fairness
- Timetable:
 - realistic
 - real deadlines
- Respect for process costs



Next Steps

- Canadian market receptive:
 - supply and cost
- Governments very active:
 - Ontario, B.C., and Ottawa
- “Just Do It”







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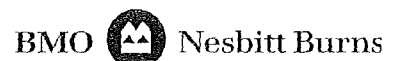
David W. Guscott

Deputy Minister
Min. of Transportation
Tel: 416-327-7455

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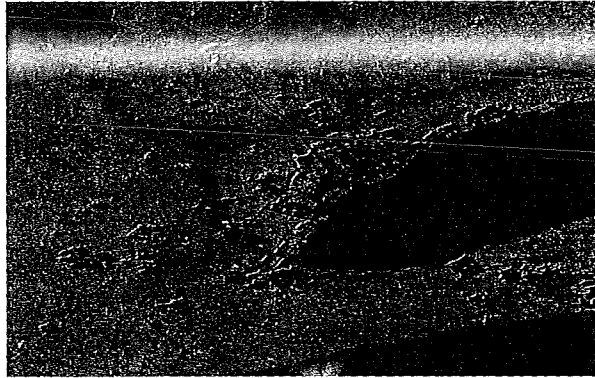
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Presentation to Canadian Urban Institute

January 30, 2002



Ontario

ONTARIO SUPERBUILD CORPORATION
MINISTRY OF TRANSPORTATION

November 2001

Presentation Overview

- Ontario's Commitment to Transportation – Smart Growth, SuperBuild
- Government's Vision for Transportation in the Golden Horseshoe – Balanced Choice & Integration
- Our Transportation Challenges
- Elements of the Vision – Transit & Highways

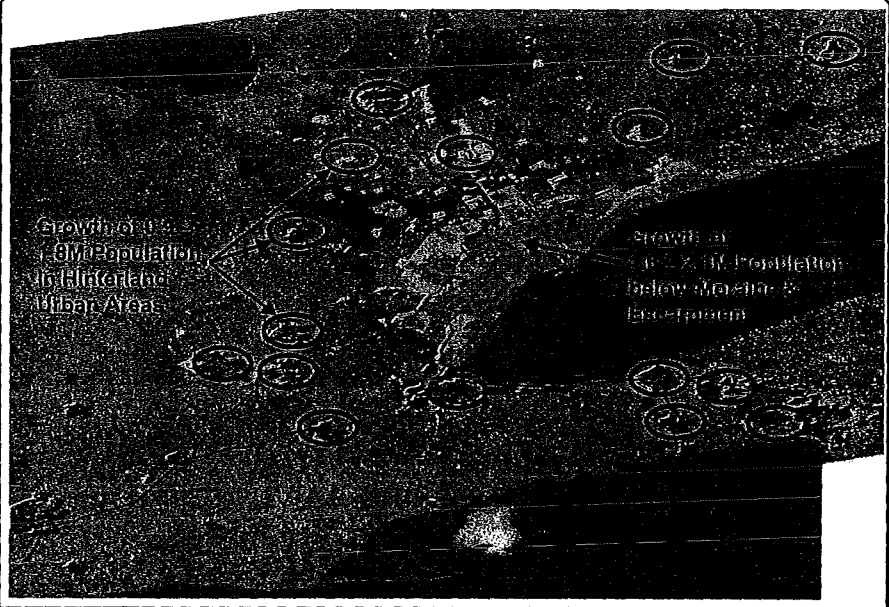
2
November, 2001

Highways

Principles

- Fair, open and competitive procurement
- Allowing tolls on new highways, where free alternatives exist
- Electronic toll collection using common standards
- Same high standards for toll highways as other highways in Ontario
- Provision for future transit within corridor
- Flexibility to improve or build alternative infrastructure

November, 2001



Transportation Challenge

November, 2001

Presentation to Canadian Urban Institute

January 30, 2002



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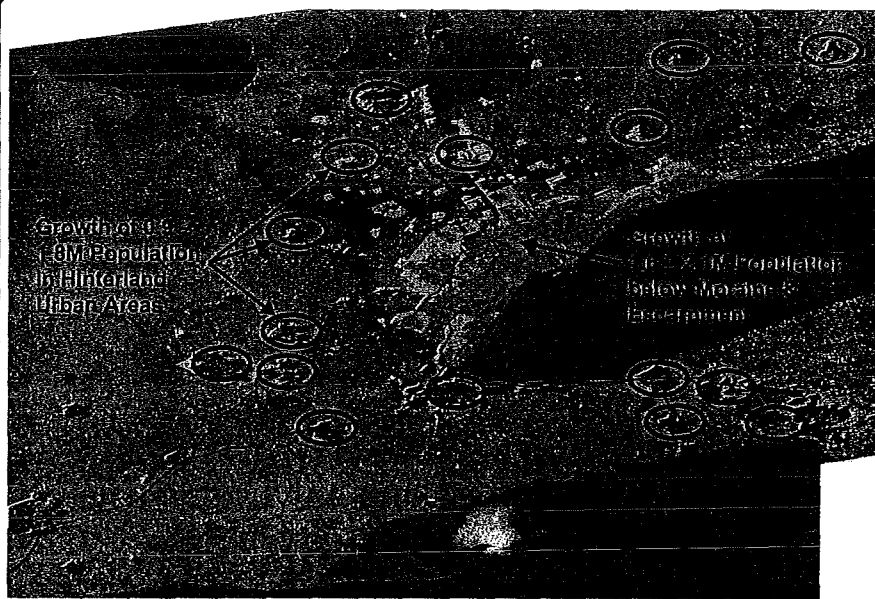
November, 2001

Highways

Principles

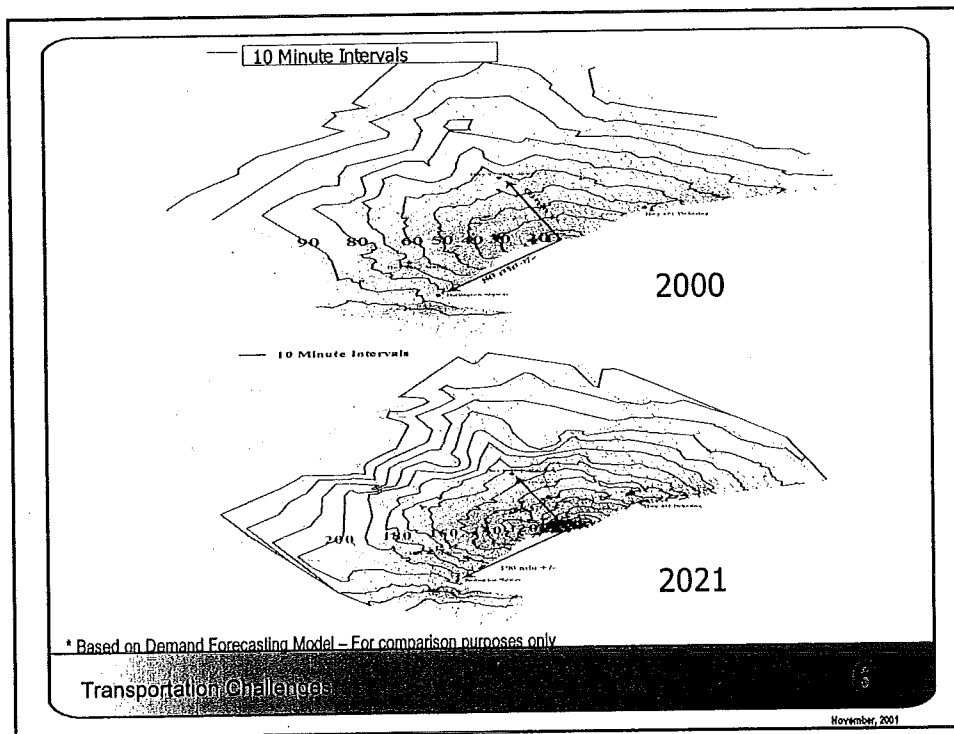
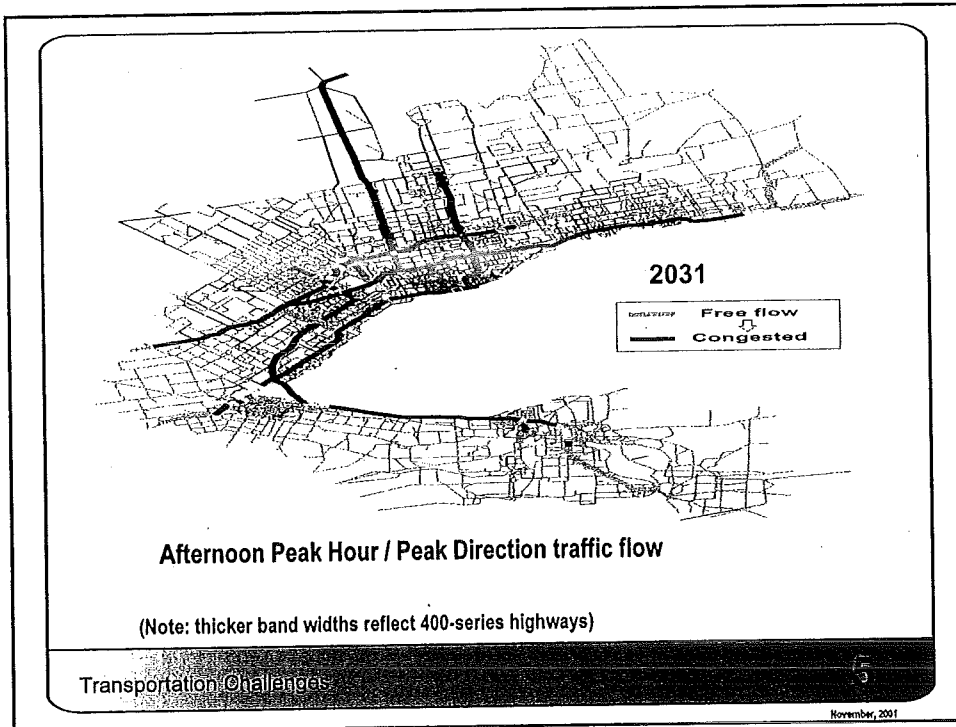
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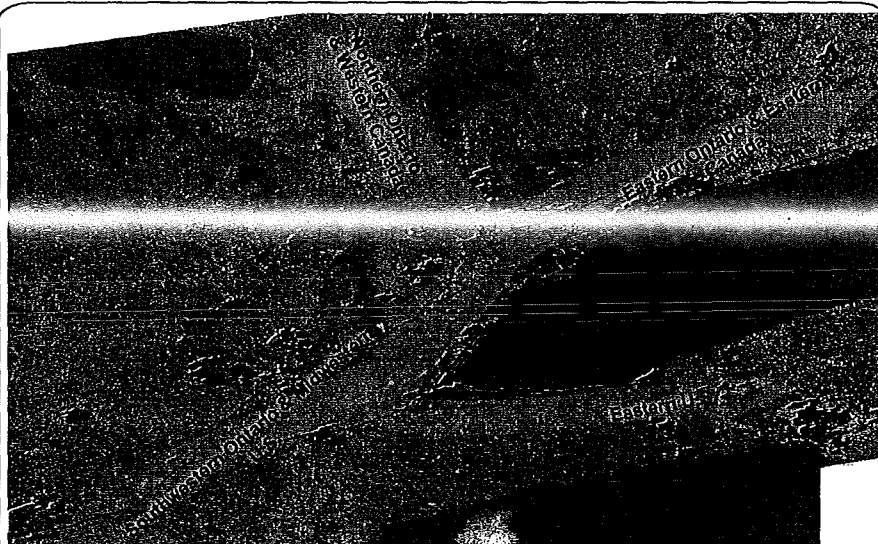
November, 2001



Transportation Cell Center

November, 2001





- Major economic needs and major tourism travel focuses on four corridors

Transportation Challenge:

November, 2001

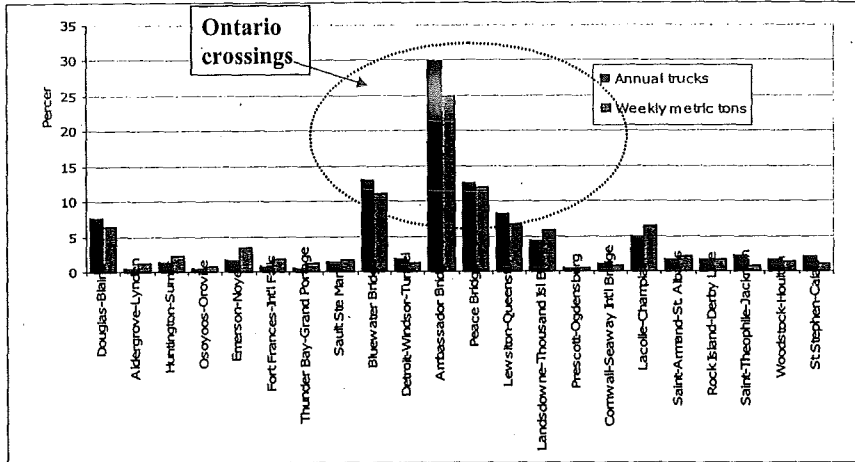
NEW FREEWAY LINKS ARE REQUIRED TO ADDRESS CONGESTION IN CRITICAL ECONOMIC CORRIDORS

- Mobility and linkage improvements and strategic alternatives in critical economic corridor



November, 2001

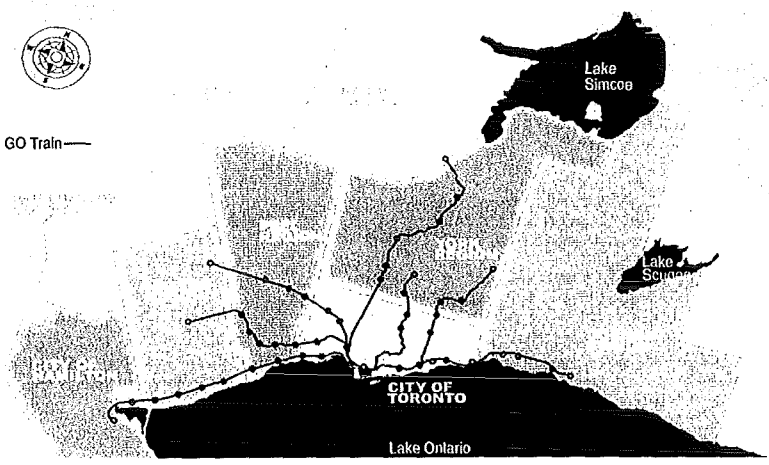
1999 Two-way Flows (%) at Major U.S.-Canada Border Crossings



Transportation Challenges

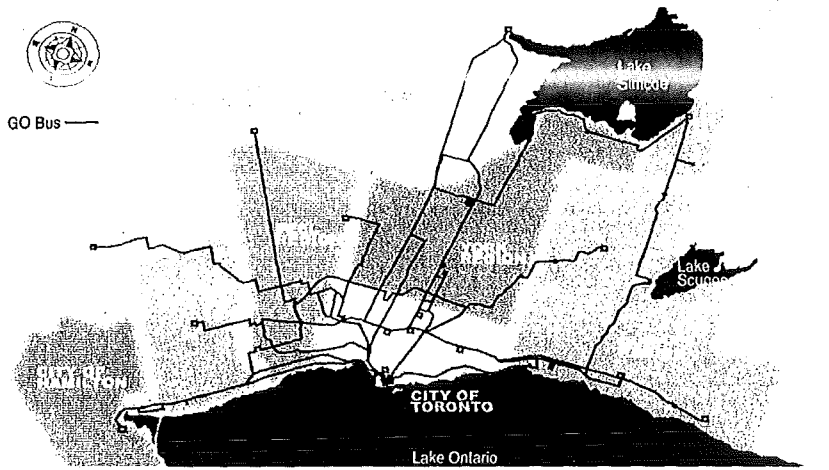
November, 2001

GO Rail System



November, 2001

GO Inter-regional Bus Services



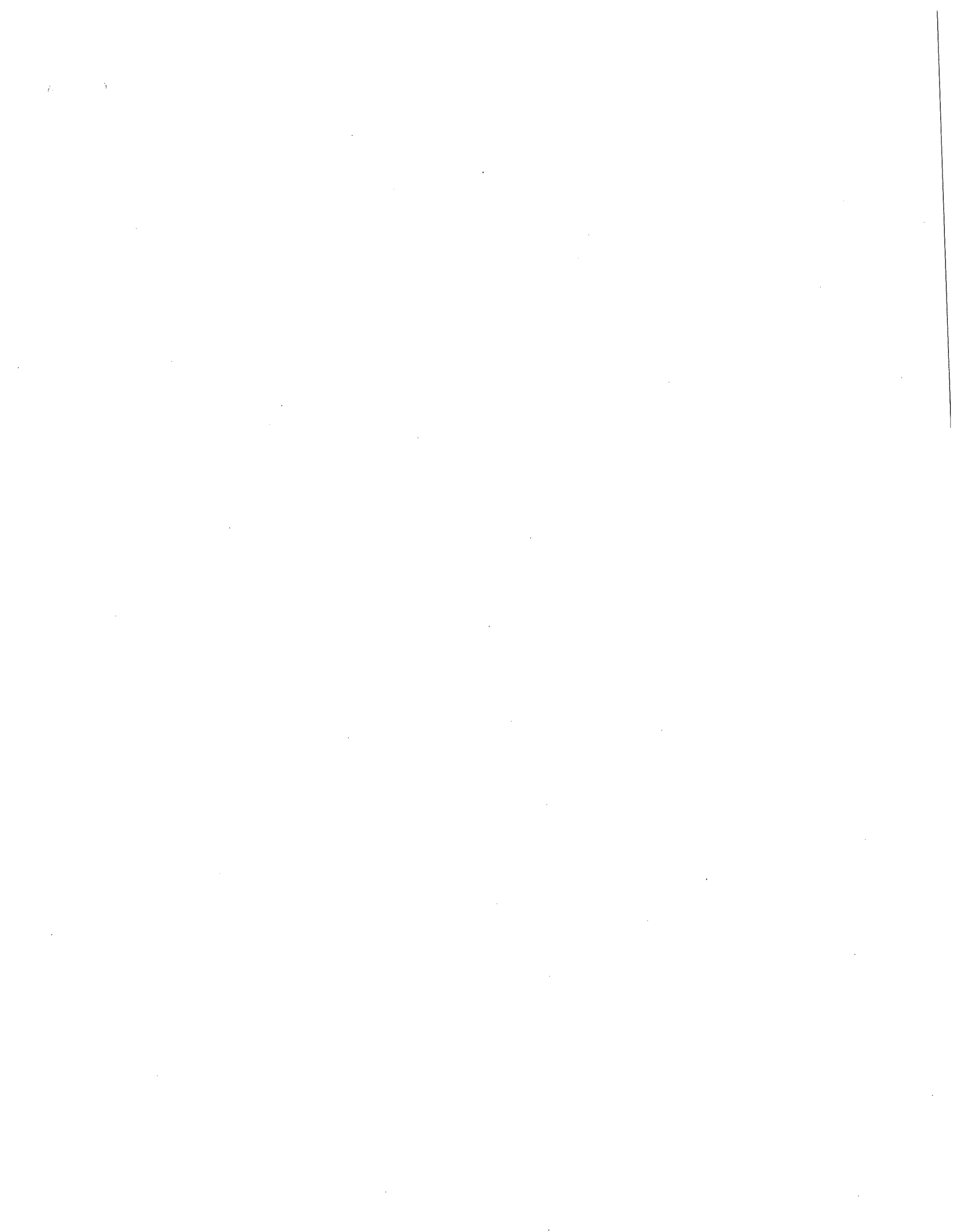
GO Major Projects: Rail to Rail Grade Separations

- Remove bottlenecks
- Increase capacity and speed









Speech to the Canadian Urban Institute
By Bill Fisch, Chair, Regional Municipality of York
January 30, 2002

Smart partnerships, Smart Transit: The York Region Approach

Thank you, and good morning everyone. It's a pleasure to be here today to share ideas on transit development.

I want to talk this morning, specifically, about building partnerships for smart transit.

My key message is that smart, inter-regional transit development depends on smart Partnerships between the Public and Private sector.

Such partnerships have, we all know, been a critical part of Canada's history.

In a country where great distances have meant great costs for the transportation of goods and people, co-operation between the private and the public sectors has been essential.

Former Prime Minister Diefenbaker put it this way: "at critical points in this nation's history, the private and public sectors have come together

To take Canada to the next stage of its development." I believe that this timely convergence is exactly what is happening for York.

We are at a critical point in our development.

We are currently the fastest growing Region in the GTA and one of the fastest growing in Canada.

We have a population of about 800,000 and we've been adding about 40,000 people a year for the last few years.

We are creating jobs at an even faster rate and today count more than 380,000 people working in the Region. That is a job for everyone living in the Region eligible to work. That number is expected to more than double by 2031, with much of the new growth occurring in the next ten years.

We are no longer a bedroom community.

York region is clearly a popular community in which to live, work and raise a family.

Our economic prospects are sound. We will continue to attract new residents and Businesses well into the 21st century.

Our economic development slogan is York Region: Ontario's Rising Star for a reason.

While nothing succeeds like success, the picture is not universally rosy.

Yonge street and most of our major highway corridors are heavily congested

during morning and evening rush hours.

York residents place heavy reliance on private automobile use. Today, only eight per cent of all rush hour trips are made by public transit.

In this past year after we amalgamated our seven transit systems into one regional system, we increased our transit use by almost 9%. A good start but as a result of congestion, the public has raised concerns about the region's pace of growth.

In a 2001 environics study, twenty-two per cent identified transportation as the top issue in the region. From the transportation issue follow concerns about deteriorating air quality, and about the negative relationship between where people live and where they work. "You can't get there from here" might be an appropriate traffic sign for commuters on the 400 and the 404!

We are addressing these concerns on several fronts: with our transportation master plan, with our new official plan policies, with long-term growth management strategies, and by approaching transportation planning with a strong determination to encourage public transit use. We are particularly excited about developing the full potential of transportation management associations which have been growing in the United States. I think TMA's should be a key part of our transportation master plan. TMA's are non-profit associations of employers and not governments. They co-ordinate transit sales, lobby for reduced fares, and generally promote reduced car and more transit use. We have been a main partner in supporting our first TMA called the Black Creek TMA in the north west part of Toronto and Vaughan in our region and we intend to support some others in Markham and Richmond Hill.

The York Rapid Transit Strategy

Let me take a moment to give some details about our rapid transit strategy, the heart of our transportation master plan. The master plan is a 30-year action plan that will be approved by Council this year. York's strategy is focused on an extensive rapid transit system, the most comprehensive in the GTA. It is carefully linked to the transit systems in Toronto, Peel and Durham. Planning inter-regionally with our neighbours makes good sense. Robert Frost once said that "good fences make good neighbours." it is equally true that "good transit plans make good neighbours." Good transit plans between York and Toronto reflect the fact that for every 100 commuters heading into the City of Toronto from York, 80 other commuters are heading north to work in York. It's a two-way street, with traffic steady in both directions. That is why York's strategy is a "big picture" one that looks at all the key connections. That is why it builds on the GTA-wide strategy proposed by the GTSB. Our strategy will help support and manage growth. It will reduce dependence on the automobile. It will help improve quality of life. Much will happen in the next five years

in four main corridors. These corridors highlight the inter-regional, GTA-wide nature of York's plans. They include the full highway 7 corridor with links to services provided by Peel and Durham; the Yonge street corridor from highway 7 to finch subway station; the Jane street corridor from highway 7 to York University and the downsvievw station; and the warden avenue corridor from the new Markham Town Centre to the new Sheppard subway line. Improving Transit in these, the busiest corridors at the very centre of the GTA, is job one. Transit improvements here will relieve congestion in York, in Toronto and across the regional network. It is estimated that one million car trips from York Region and the GTA can be eliminated over the next two years through the York Transit Plan. Of course, planning is useless without the right technology. There are several technologies being reviewed in our plans.

If bus rapid transit is preferred, road widening and reconfiguration will be necessary. Those measures would be needed to accommodate reserved bus lanes, transit priority at traffic signals and intersection improvements. Under a rail-based rapid transit system, new go stations, transit gateways and feeder bus connections would be required. Bus-based transit offers an innovative, flexible and cost-effective approach for implementing rapid transit quickly. But we think it's important not to lose sight of the advantages of upgrading to rail, either LRT or subway. Corridor constraints, community impacts and expected rapid growth in demand are all good reasons as to why we need to build in this flexibility.

Advance technology such as smart cards, automated vehicle location systems, conventional and specialized transit scheduling software and transit priority traffic control systems are also planned in York's strategy. The cost of the full 30-year transit plan would be between \$2 and \$4 billion dollars, not to mention the road building plan of about \$3 - \$4 billion dollars. As Senator Strom Thurmond once said, "a billion here, a billion there. Pretty soon you're talking real money."

It is real money and the Region alone cannot finance it.

The role of the PPP and that leads me to the public-private partnership York is seeking to develop its transit strategy.

Europe has done it. The United States has done it. But York is *the first Canadian municipality to engage the private sector in a large rapid transit project.*

Pioneers need to be careful. There can be surprises in the bush. We are exercising extreme diligence in selecting and working with a private partner. Our joint effort between York, Markham, Vaughan and Richmond Hill has several goals:

1. We want to fast-track the delivery of inter-regional rapid transit, thus saving costs.
2. We want to bring stakeholders such as the TTC, go, senior levels of government and other GTA municipalities together to support the concept of the project.

3. We want, as I've indicated, to use advanced transit technologies.
4. We want to obtain all the necessary approvals to move forward.
5. We want to generate innovative funding solutions that leverage private sector investment.
6. And we clearly want to select the best technical proposal with the best financial offer.

I'm starting to sound like my kids when they were teenagers, "I want, I want, I want". The difference I think is not only do we want these things, we need them. We've set an ambitious schedule for finding the right partner.

An RFQ was issued and submissions received recently, submissions that included such organizations as Bombardier, the Royal Bank, Hydro One, SNC/Lavalin . the list of companies on the consortia is an impressive one.

A request for proposals will be issued next month and the RFP will be due in March. A partner will be selected and negotiations completed by April 22.

Clearly, this is a unique approach to developing a rapid transit system in Canada. And just as clearly, people have questions.

First: Why use a private/public partnership to develop a rapid transit system?

The answers, we believe, are clear:

- First, as I mentioned, the region needs an extensive rapid transit system, estimated at \$2 to \$4 billion, over the next two to three decades to meet its transportation needs. It cannot finance this development through property taxes and development charges.
- Secondly, public-private partnerships are being used increasingly the world over to deliver all forms of infrastructure and services faster and more affordably. The trend is clear.
- Thirdly, PPPS have the potential to lead to more innovative solutions.
- The public sector brings to the table its experience in addressing complex public needs. The private sector brings its expertise in transportation technology, financing, project management and creative problem solving.
- Fourth, both the federal government and the province are increasingly tying their funding programs to public-private partnerships.
- Successful formation of a PPP will, we believe, strengthen the region's chances of obtaining such funding. This is, I repeat, critical for building a rapid transit network that seeks to knit together the GTA in an unprecedented way.

Some will argue that fares will increase with private sector engagement.

- Fares will be one of several items to be negotiated with the successful private sector partner.
- It is possible that the agreement with the private sector partner will stipulate specific rules on fare increases.

- The bottom line, we believe, is that the right private sector partner should be able to implement a more innovative, efficient and effective rapid transit solution that must and will be a win-win for riders across the GTA

One of the other key questions often asked of public-private partnerships is this: “given that taxpayer’s money will constitute a large piece of transit funding, how can taxpayers be assured that their interests would be preserved in a PPP?”

First, the process of selecting a partner is very rigorous. At every stage, detailed technical, financial and legal evaluations of the submissions are being carried out.

Furthermore, all key decisions of the PPP process will be made by

The Regional Council Acting on behalf of taxpayers. York Region is noted across North America for its good fiscal management. I think taxpayers are protected, Both by the intensive scrutiny involved in the process and by the excellent people we have working for us.

Conclusion

Let me close with a few comments on guiding principles in both Public-private partnerships and transit development.

I believe that we need to consider transit development within three fundamental principles:

one, we need to build on existing strengths;

two, we need to grow incrementally, together; and three,

We need to provide critical supports to each other.

Those principles will, I feel, be brought to life by one overarching truth.

It is this: Nothing is as powerful

As an idea whose time has come. Smart transit to underpin smart growth in the GTA as an idea whose time has come. The level of local, provincial and federal interest in transit right now couldn’t be greater. We may quarrel with funding from senior levels of government, but the fact is there is broad consensus among the public and the politicians that now is the time to get transit right in ways we can all afford.

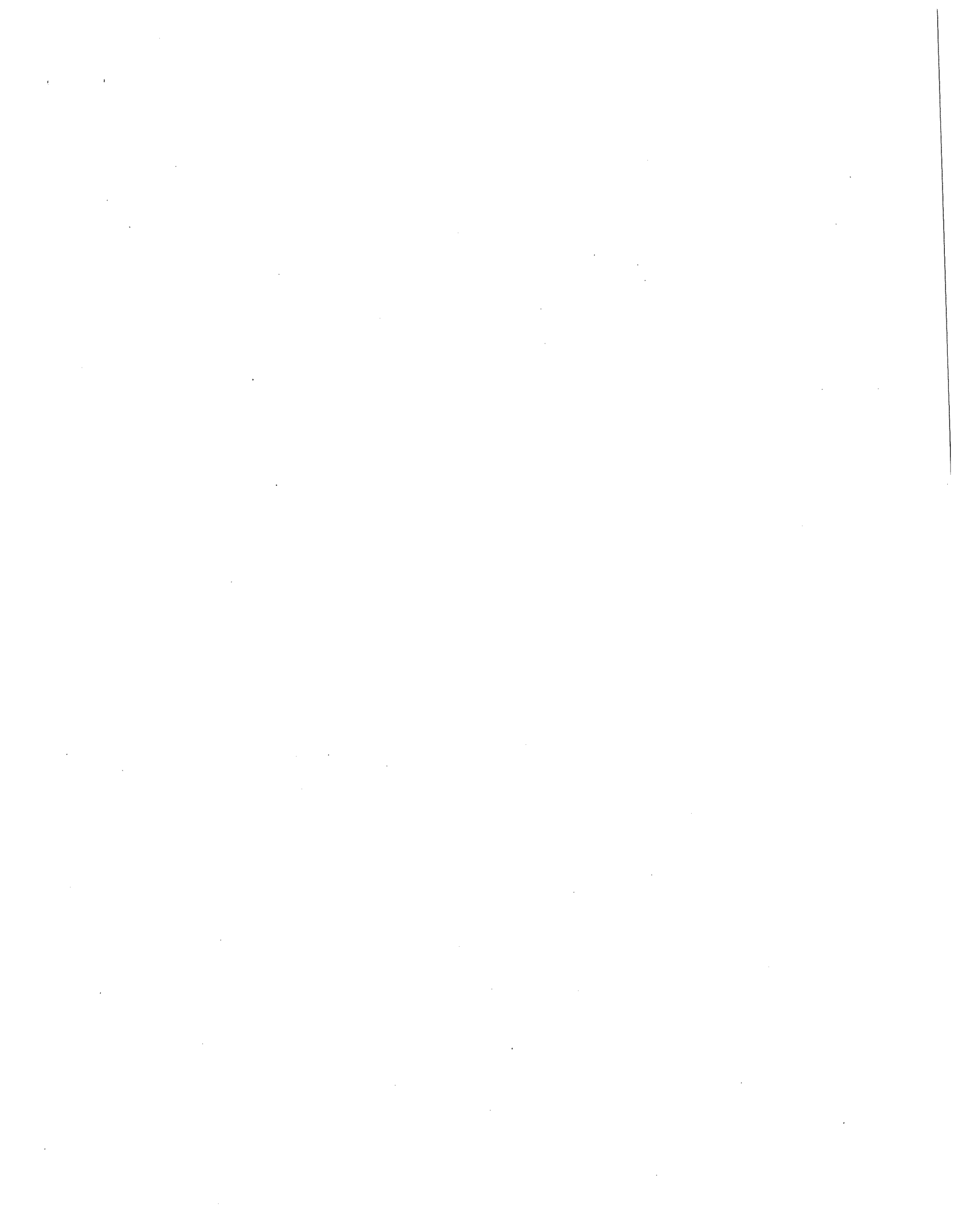
There’s a new energy in transit planning. There’s a sense that wonderful things are possible if only we can come together to engage in smart transit development.

The great english writer E.M. Forster once summed up the secret of a meaningful life when he wrote, “only connect.”

Transit has always been about connections, connections that move you toward where you want to be. Today it is about increasing connections between Regions. It's about essential connections between governments. It's about vital connections between the private and the public sector, links that have helped forge this country since confederation. York is connecting with its rapid transit strategy. It is connecting with the private sector for smart and fast transit development.

It is connecting with its neighbours to ensure the big picture is kept in focus. It is connecting with its government partners at Queen's Park and Ottawa. Most importantly it is connecting with the pulse of a public that has said, clearly and unequivocally, "now is the time."

Thank you.







Canadian Urban Institute presents 4th Annual
Municipal Infrastructure Partnership Conference:

Working for Better Roads, Water, Transit and Borders

8:00 am — 4:30 pm Wednesday, January 30, 2002 ■ Four Seasons Hotel ■ 21 Avenue Road ■ Toronto

Chaired by: The Hon. David Crombie, President and CEO, Canadian Urban Institute

Presentation by:

Gordon Chong

Chairman

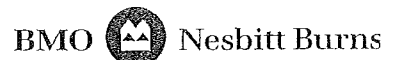
GO Transit

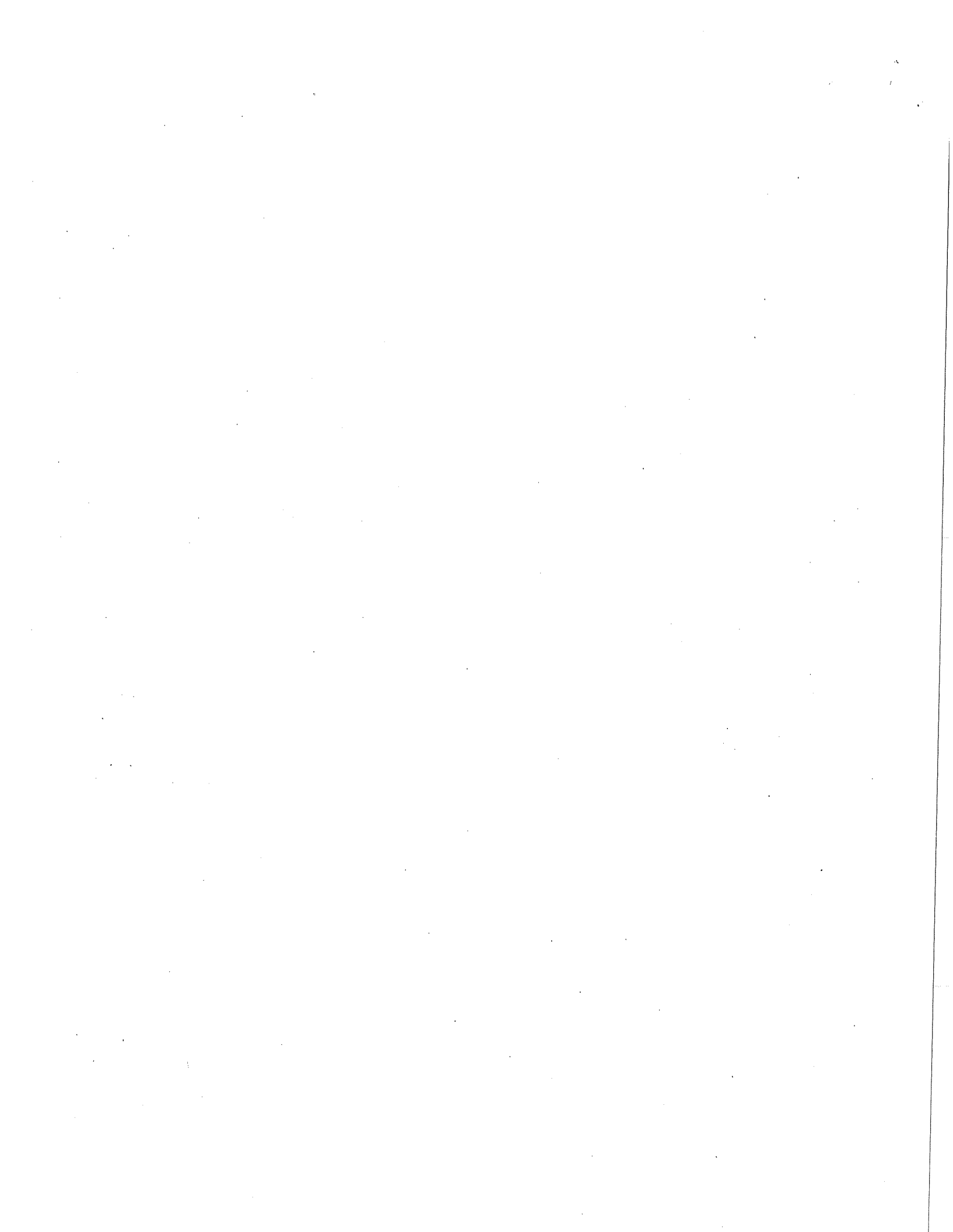
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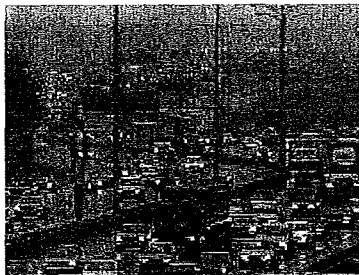
The BRT Business Case

Presented to the Canadian Urban Institute
By Dr. Gordon Chong, Chair, GO Transit
January 30, 2002

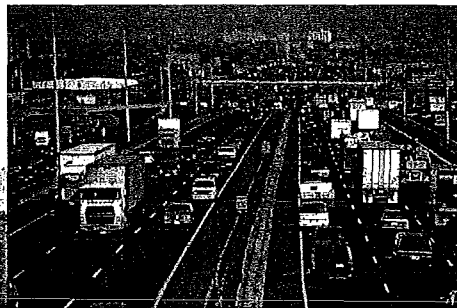
Prepared for the Greater Toronto Services Board
By McCormick Rankin Corporation

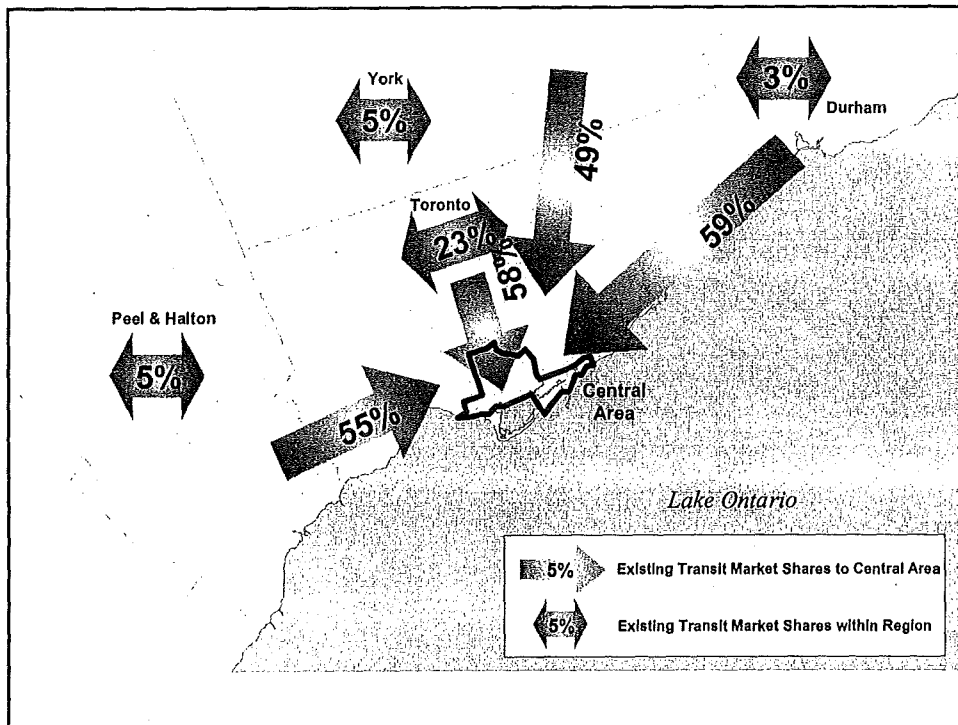
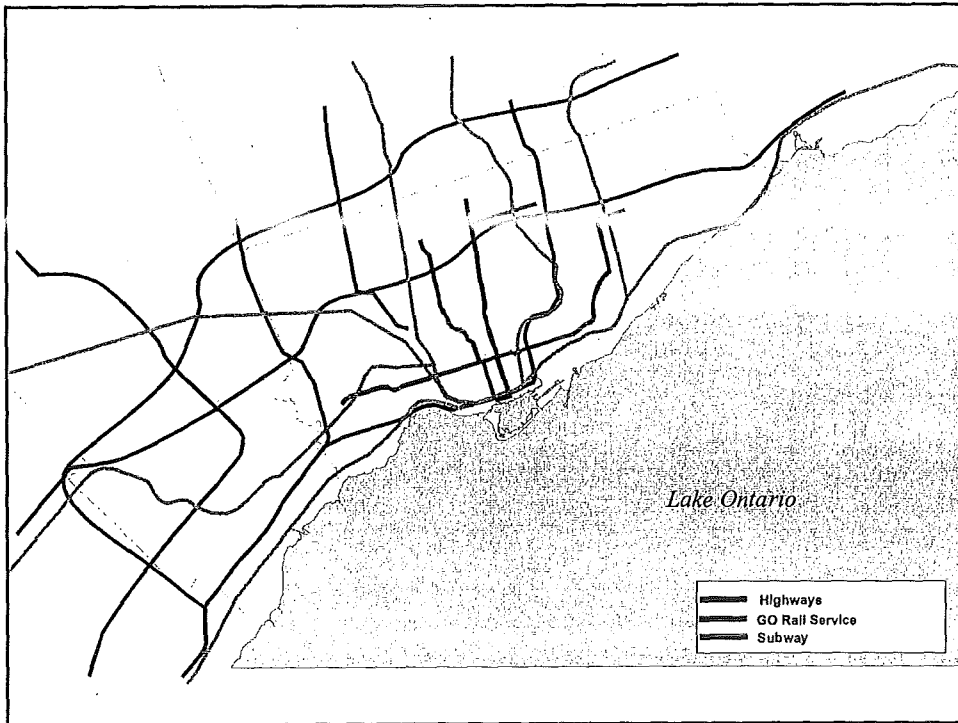
Congestion is already at unacceptable levels
and is getting worse.

Improved transit must be part of the solution



Removing Roadblocks, GTSB June 2000



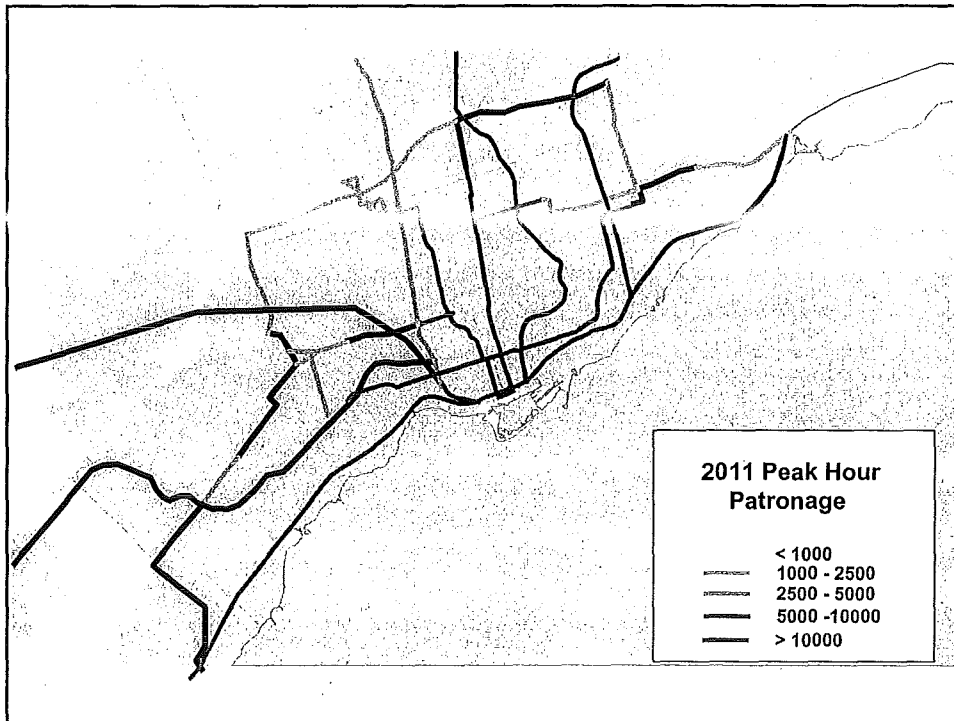


The Key Implementation Questions

- Will there be sufficient transit ridership in the “circumferential corridor” to justify rapid transit by 2011?
- If so, is there a business case for some form of inter-regional BRT?
- Are there conditions and locations where rail could be justified as an alternative to BRT?

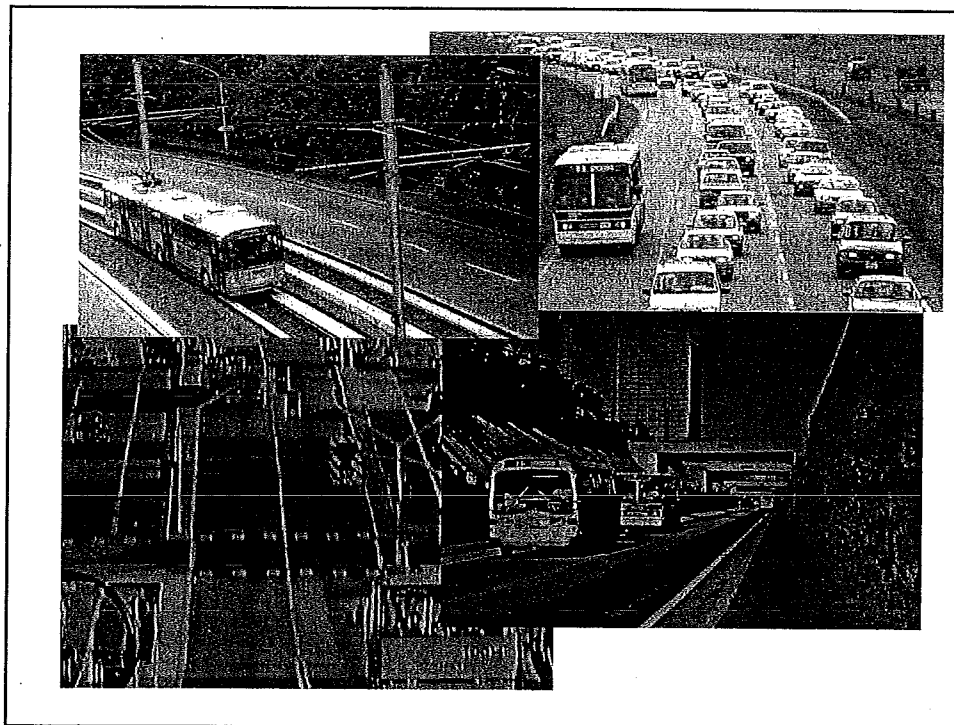
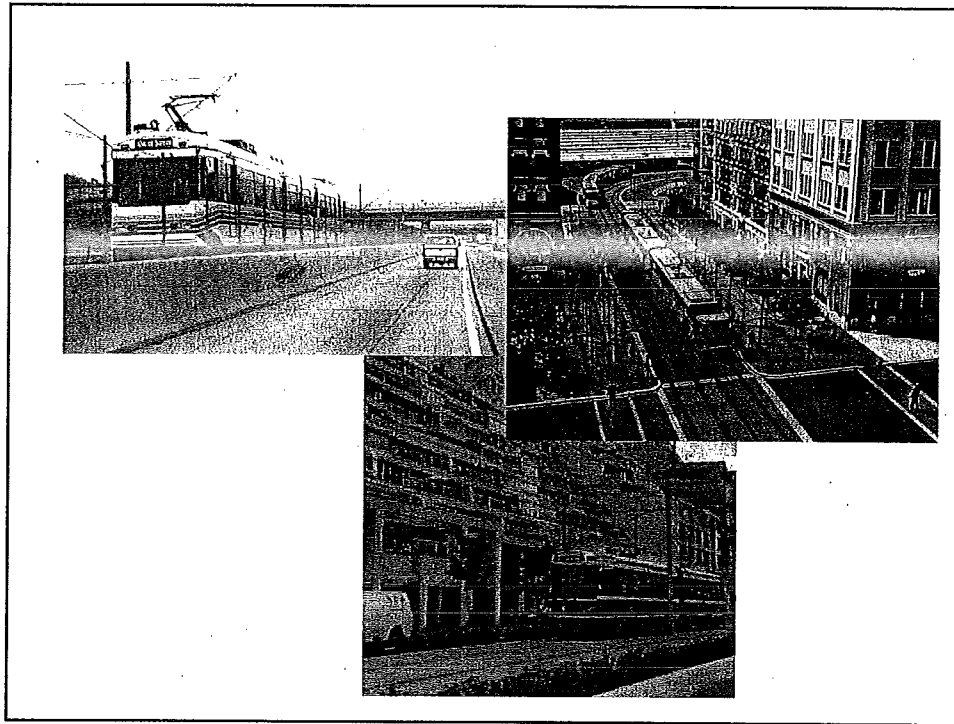
Rapid Transit Justification

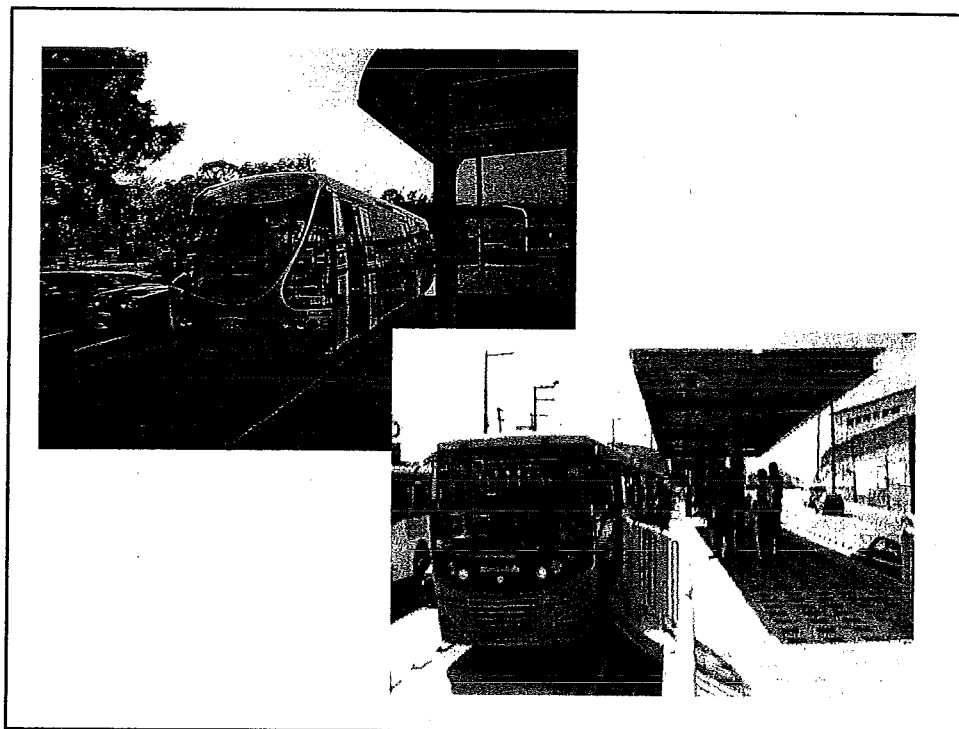
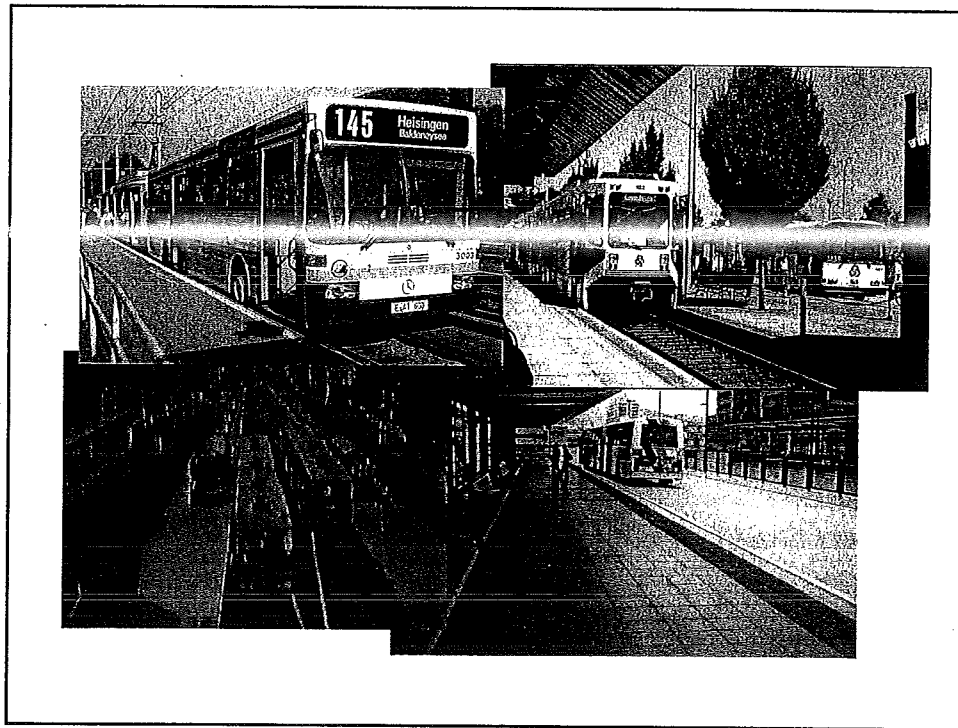
- Minimum initial peak hour peak direction passenger demand of at least 1500 passengers.
- Strong growth potential in the short term to achieve at least 2500 to 3000 passengers per hour
- Rapid Transit costs less than conventional bus and providing equivalent road space



Ridership Conclusion

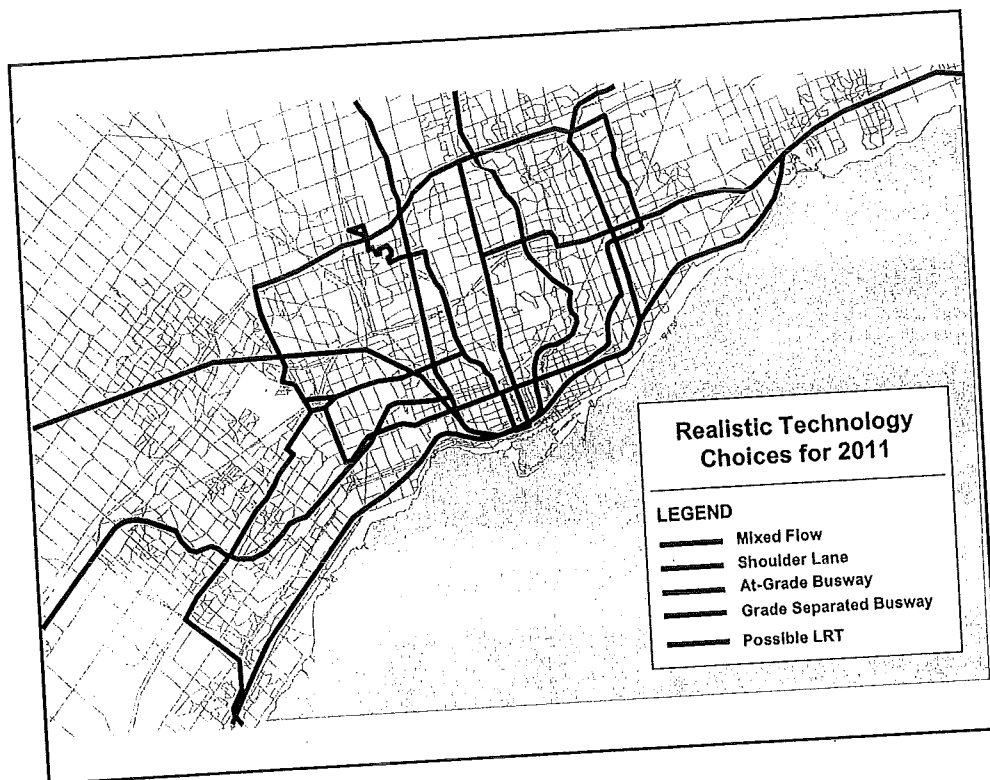
- Ridership justifies inter-regional rapid transit by 2011
- Some at-grade 2011 operations may have to be grade separated by 2031
- Circumferential corridor ridership less than typical subway and commuter rail volumes





Typical BRT and LRT Costs

	BRT	LRT
At-Grade/Km	\$3.6 million	\$16.4 million
Grade Separated/Km	\$25 million	\$40 million



The BRT Business Case

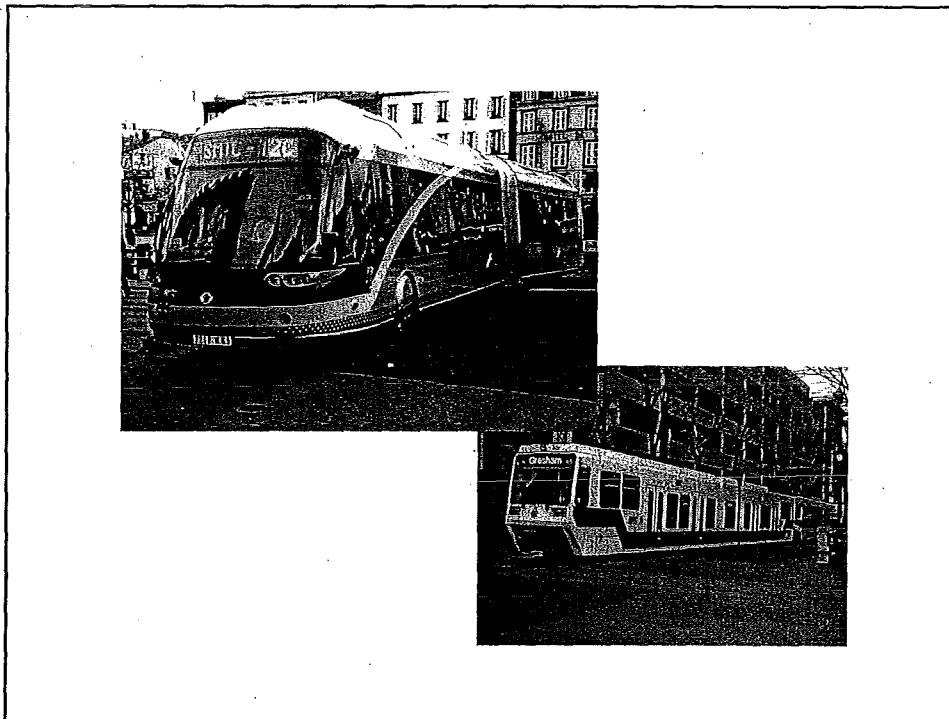
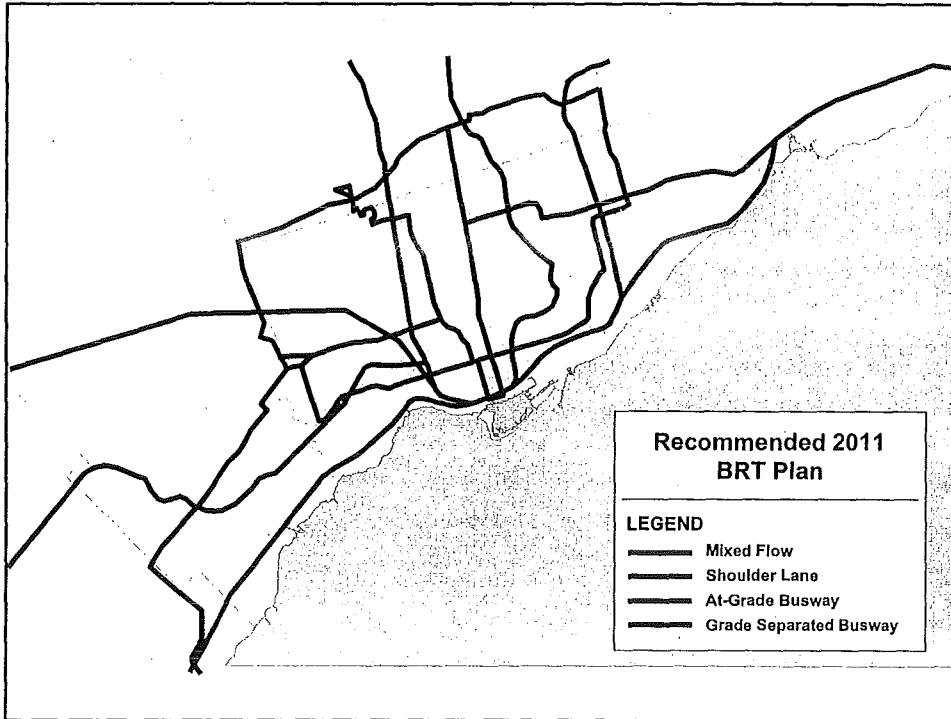
(Annual Costs in \$millions)

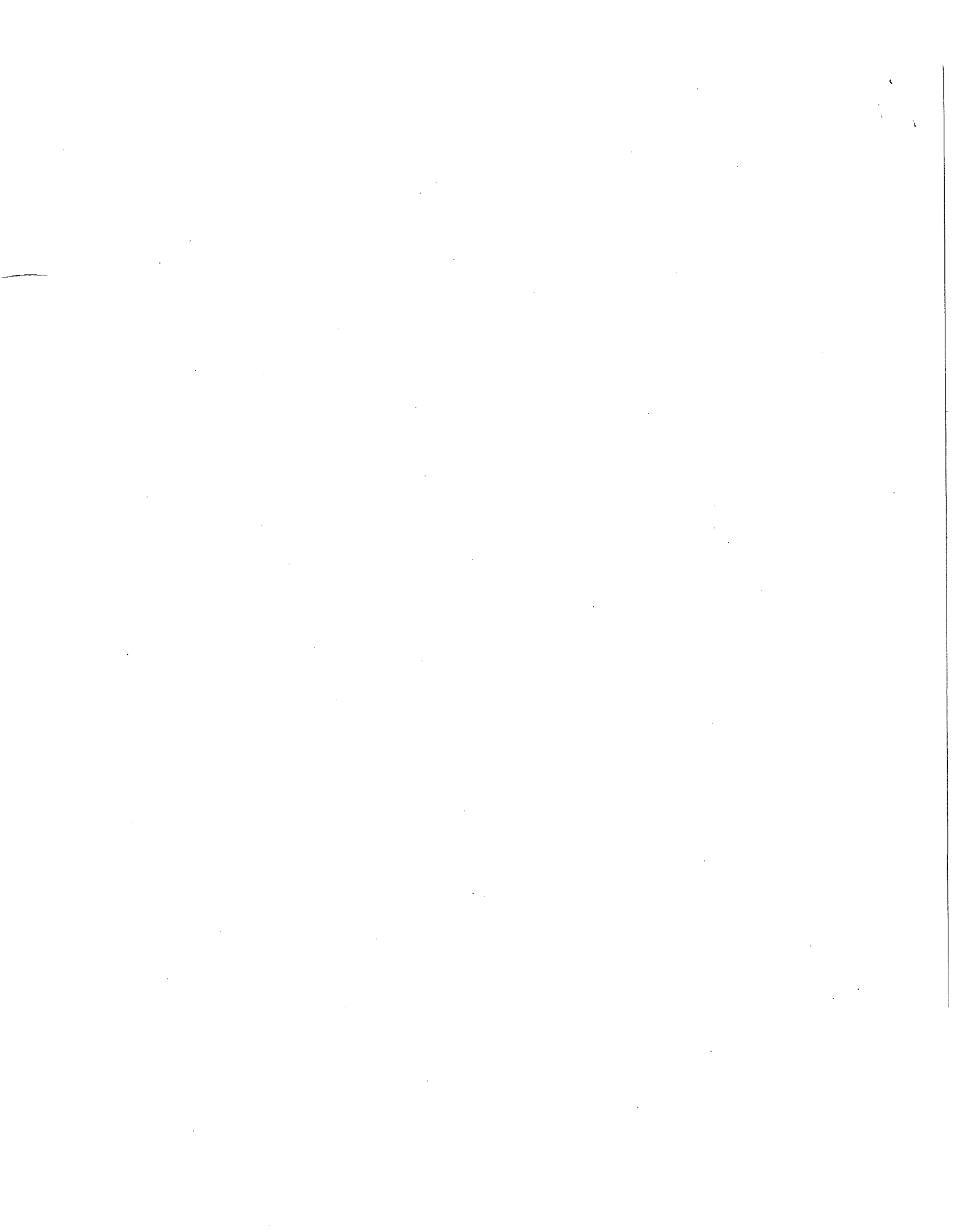
	BRT	Highway
Taxpayer Costs	\$50	\$90
User Costs	\$143	\$395

*to solve
the same
travel
issues.*

Conclusions

- Ridership potential for inter-regional rapid transit
- BRT is an appropriate technology for the projected ridership and suburban land uses
- BRT would help solve the congestion problem at less cost than equivalent road improvements
- The BRT system could be built in stages to match funding availability
- LRT could be added in the Highway 7 corridor after the Yonge Subway extension





1



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Presentation by:

David McCleary

Sr. Policy Advisor
The Reg. Municipality of Halton
Tel: 905-825-6000

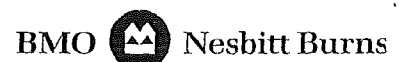
Laurence K. Rubin

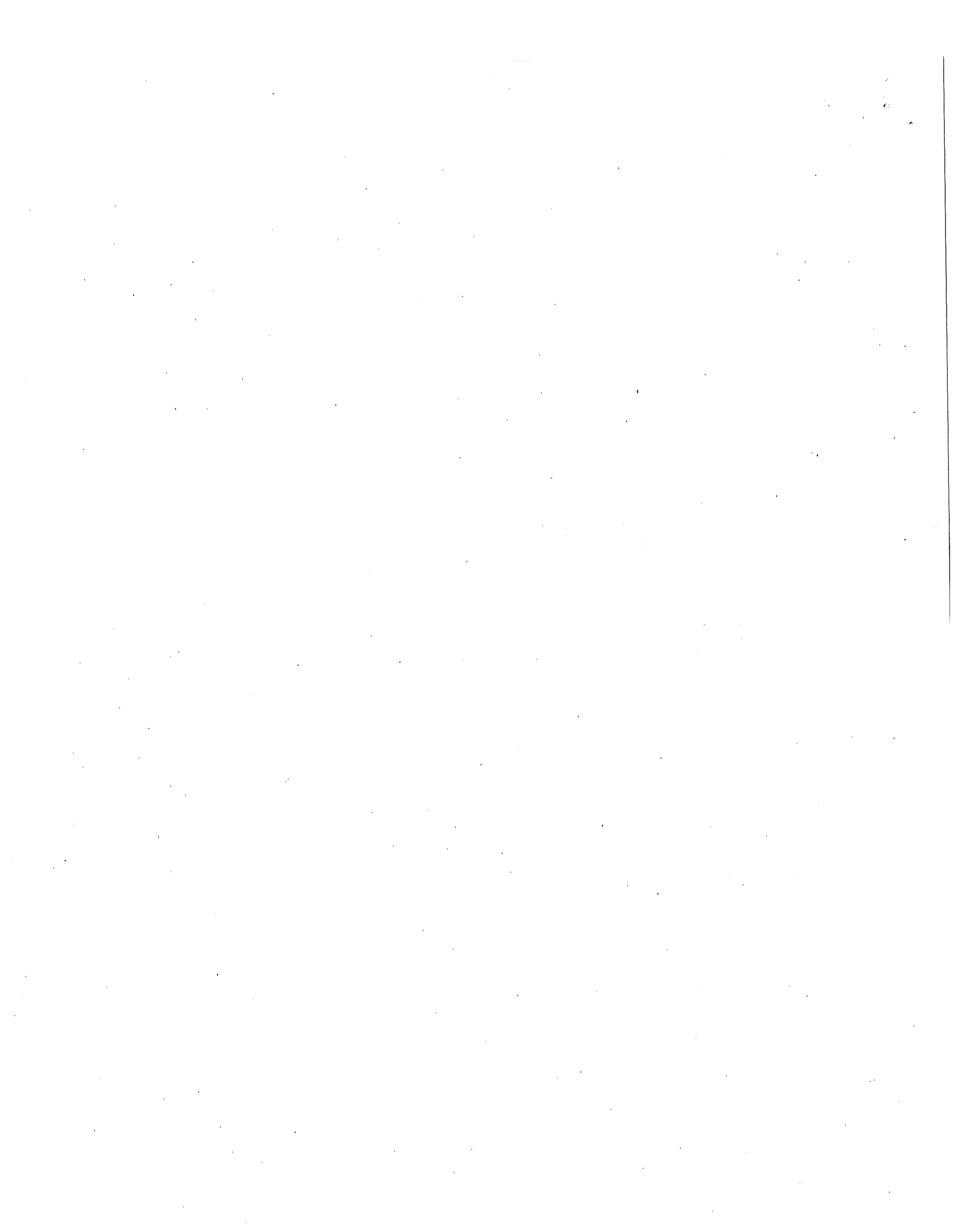
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Niagara Bi-National Region Economic Roundtable

Building an Economic Vision & Partnership

The Changing World Economy

Old Economy

- Tariffs
- Natural Resources
- Plants
- Inventories
- Sectors
- East-West
- National; provincial

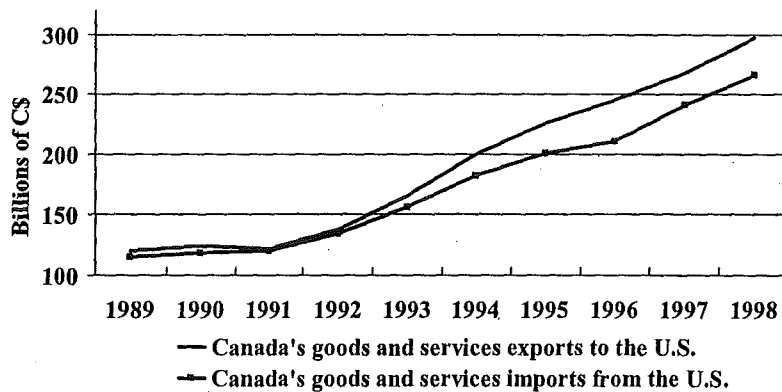
New Economy

- Trade Agreements
- Clusters
- Trade corridors
- Infrastructure
- Intellectual capital
- Flexibility & timeliness

The North American Economy

- The North American economy is moving towards a common market of metropolitan-based local economic regions
- These regions are becoming strongly inter-dependent
- Investment needs are significant
- The traditional approach to local economic and infrastructure planning and investment schemes does not coincide with emerging economic units
- Competitive regionalism demands cooperative networks to build policy and physical linkages to move people, goods and information

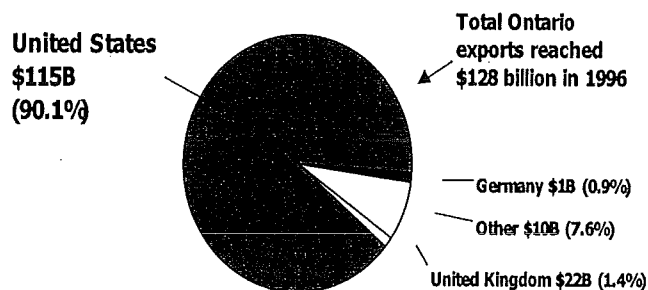
The Canadian and US economies have become more integrated as trade between the two nations rose more than two-fold between 1989-1998



Where Trade Crosses the Border

<u>GATEWAY</u>	<u>TRADE IN BILLIONS - US</u>
• Michigan	• \$60.9
• Niagara	• \$35.8
• Montreal South	• \$17.3
• Pacific Coast	• \$8.6
• Upper Plains	• \$8.4
• Eastern New York	• \$7.7
• Rocky Mountains	• \$6.5
• Central Plains	• \$3.1
• Maine	• \$3.0
• TOTAL	• \$151.3

Ontario Exports Distribution by Country 1996 in \$Billion



New York State is Key to Southern Ontario's Exports

- Michigan 28%
- **New York State 25%**
- Pennsylvania 9%

US -Canada Trade Corridors

- Top 4 Canada-USA commercial vehicle crossings (69% of Cdn total) are between NY and Ontario
 - Windsor: 34%
 - **Fort Erie: 15%**
 - **Queenston: 8%**
 - Sarnia: 12%
- **50% of Ontario's tourism** (20% of Canada) enters at Niagara Gateway

Challenges

- Multiple Jurisdictions & Stakeholders
- Bi-National issues (e.g. regulations, infrastructure, border security)
- Information gap
- Priorities undefined
- No coordinated approach to planning, investment, & action (State/Provincial/Local/Federal lack of or differing visions)
- Limits the ability to capitalize on the economic power of the trade corridor and the system of cities within that corridor

A New Direction

**Exploiting the Power of a Trade
Corridor**

Co-operative Regionalism



Key Questions

- How do we capitalize **locally** on the power of the trade corridor and make the **Niagara Bi-National Region** the fastest growing trade corridor in North America?
- How do we achieve a seamless but secure border?
- How do we build bi-national regional integration?
- How do we strengthen the global and North American identity of the Bi-National Region?
- How do we develop and nurture a sustainable investment environment that attracts people and businesses committed to the bi-national region's well being?

Economic Development Strategies

Old

- Top down
- **Municipal government on the sidelines**
- No role for private sector/not-for-profit
- Infrastructure plans separate from economic plans
- Competition is bad
- Local planning/analysis is limited to own jurisdiction
- Sector approach
- **Inter-municipal competition**
- "Government"

New

- Bottom up
- Inclusive
- Systems of cities
- **Leadership coalitions - cooperative networks**
- Building a competitive region
- Focused & Integrated
- Inter-sectoral approach
- **Municipalities as the visionaries and brokers**

A New Direction

- Form a locally-led public-private sector alliance around trade corridor matters
- Reach out across the border and across the levels of government
- Provide a comprehensive overview of the current state of the trade corridor
- Identify strategies for the private sector, government and educational sectors to realize a vision & goals for the trade corridor

Niagara Bi-National Region Economic Roundtable

- Focus goes beyond business...quality of life a key to the economic health of the bi-national region
- **Not in the business of lobbying or promotion**
- Identify opportunities and problems, offer objective, credible recommendations
- Break jurisdictional/governmental gridlock through partnerships
- Reachout across sectors
- All in the context of the objective to capitalize upon and strengthen the Niagara Bi-National Region and the State and Provincial economies

The Niagara Bi-National Region

Western New York Southern Ontario

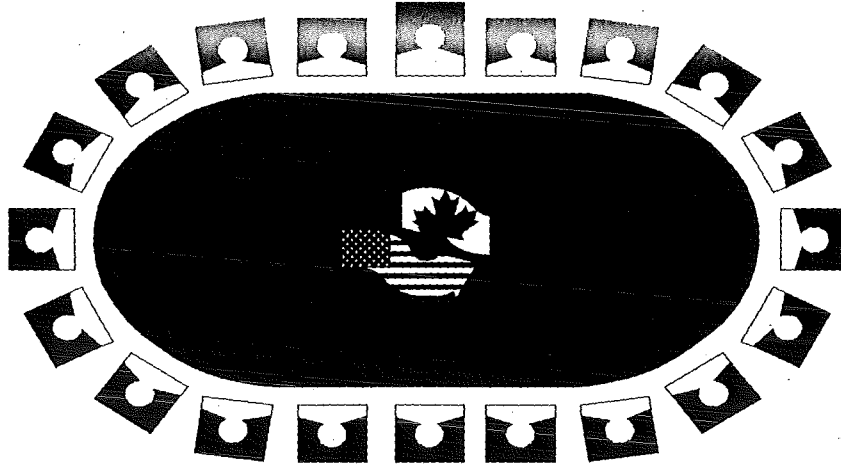
- Erie County
- Monroe County
- Niagara County
- Halton Region
- Niagara Region
- City of Hamilton



Making the Roundtable Work

- Small in size 27-28 members
- 3/4 of members from the business/institutional sectors
- Nationally recognized business leaders as co-chairs
- Exists for 12 months
- Targeted reports as you go
- Well resourced with support from the Province of Ontario and New York State

Niagara Bi-National Region Economic Roundtable



*Co-chair
John Mayberry
Bojarsko*

Objectives

- To reveal and pursue new economic opportunities within the trade corridor
- To identify strategies to resolve constraints and implement opportunities
- Add strength to calls for policies, projects and investments which will facilitate economic activity within the corridor
- Identifiable role in the bi-national, national and provincial economies
- **Focus on 4 Topic Areas**

Free Flow of Goods & People

Outcomes

- 1. Assess the economic significance of cross-border trade and other economic linkages within the region and the role of border management (post 9-11) in stimulating or restricting the economic growth of the region.
- 2. Explore associations and common interests with border initiatives in other regions, identifying proposals developed by these various groups and assessing the potential for joint or parallel initiatives.
- 3. Apply the unique needs of the Niagara BiNational Economic Region to the proposals and initiatives tabled by others, identifying priority border initiatives for the Region's continued economic growth.

Developing Transportation Infrastructure to Stimulate Economic Expansion

Outcomes

- 1. Identify the key existing and proposed elements of the Bi-National Region's transportation network, its key strengths and weaknesses from a cross-border regional economic development perspective. Assess the economic significance of proposed infrastructure/logistics initiatives for the economic growth of the Niagara BiNational Economic Region.
- 2. Apply the unique needs of the Niagara BiNational Economic Region to the proposals and initiatives tabled by others, identifying priority infrastructure/logistics issues for the Region's continued economic growth.

Free Flow of Ideas and Innovation

Outcomes

- 1. Inventory transborder assets for workforce training. Identify opportunities for partnerships, sharing resources and improving communication between business, civic and education organizations throughout the Bi-National Region.
- 2. Identify the key research and development centres across the region, including industries, universities, colleges and other institutions and their fields of expertise. Identify and promote opportunities for cross-border business/institutional collaboration on research and development and commercialization of R&D.

Building Economic Development Linkages

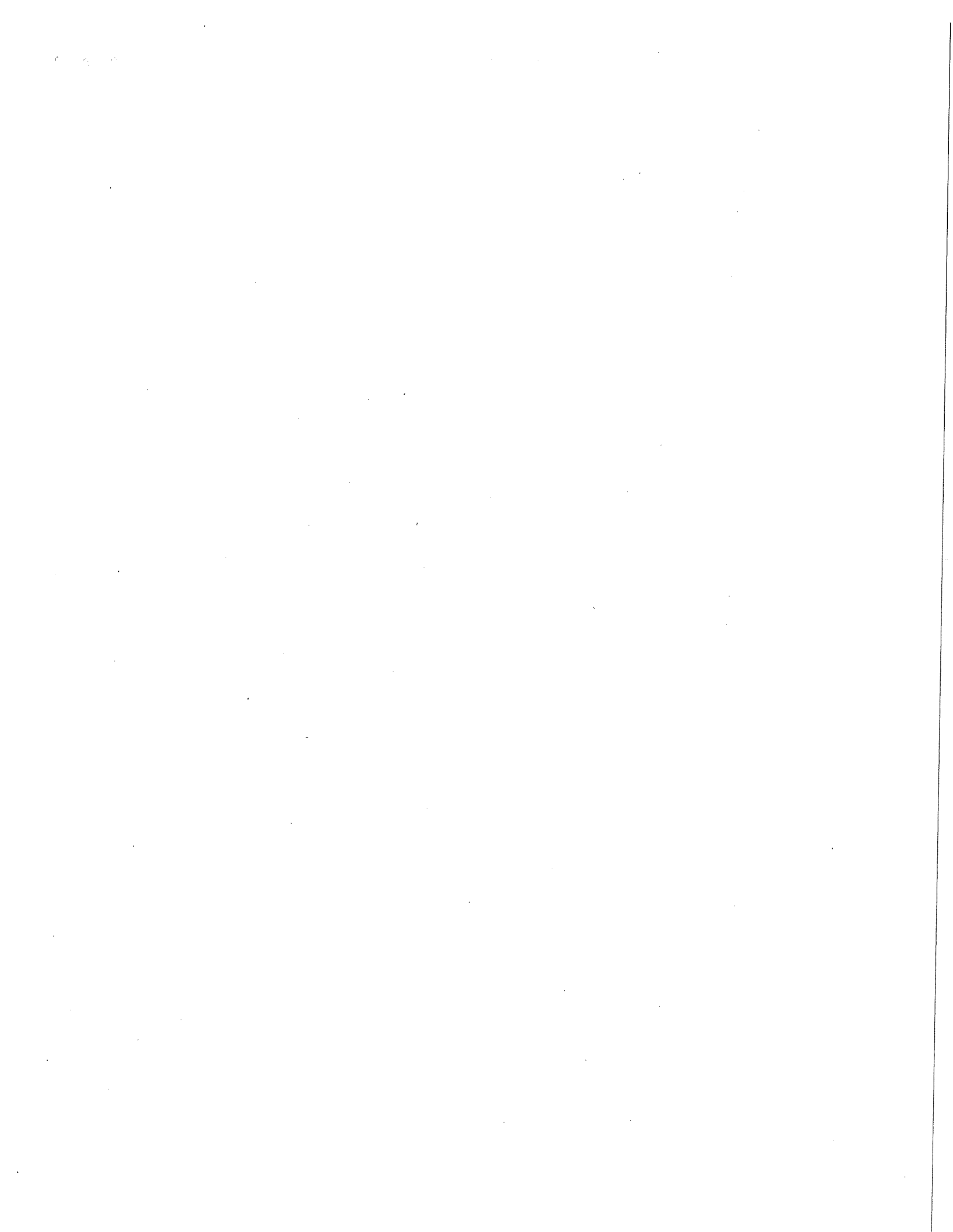
Outcomes

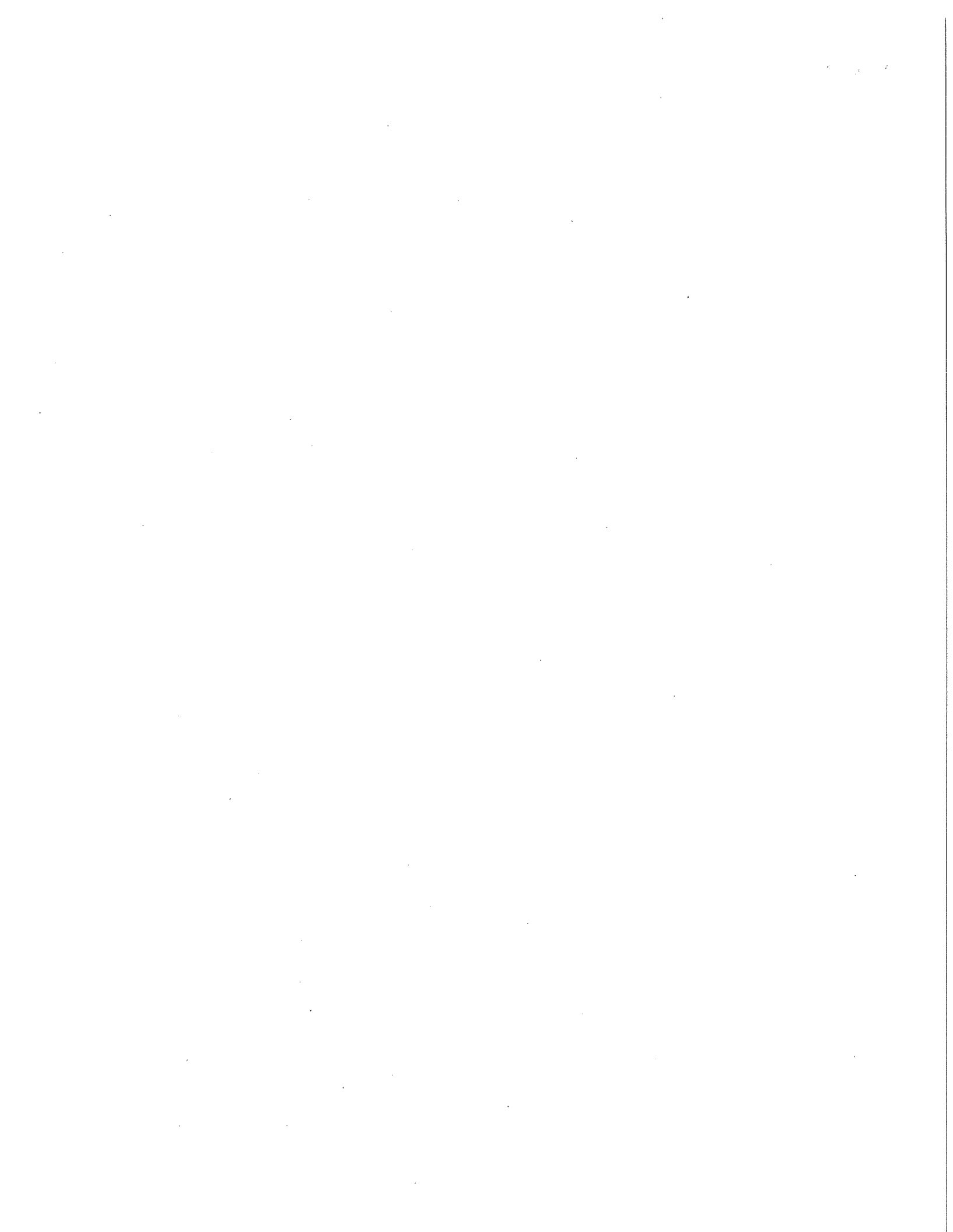
- 1. Call attention to the importance of cross-border linkages to the continued growth of the Niagara BiNational Economic Region.
- 2. Inventory existing formal & informal cross-border linkages among communities, business sectors and public and private institutions in the Bi-National Region. Identify missing links and propose steps to improve connections.

Come Visit Us!



<http://www.niagarabinternational.com>





Building Partnerships on the Toronto Waterfront

Speaking Notes for:

**John Howe, Manager
Toronto Waterfront Revitalization Secretariat
Ontario SuperBuild Corporation**

Presentation to:

**Canadian Urban Institute
4th Annual Municipal Infrastructure Partnership Conference
Four Seasons Hotel
Toronto, Ontario**

January 30, 2002

Good afternoon. And thank you for the invitation to speak on a topic that is near and dear to my heart, namely the role of partnerships in the revitalization of Toronto's waterfront.

SuperBuild President and CEO David Lindsay was a keynote speaker at the last two consecutive annual CUI conferences. He had to break his perfect attendance streak today because he's busy making history, setting the groundwork for the Hydro One initial public offering – the largest IPO in Canadian history.

I'd also like to spend my allotted time with you talking about history and about making history.

But before we look at the brave, new tomorrow that all of us envision for Toronto's waterfront, I'd like to step back in time – back 150 years and away from Toronto.

I know that many planning gurus like to benchmark the potential of Toronto's waterfront against relatively new and exotic urban success stories like Barcelona and Sydney.

But I draw inspiration from a place where I spent a portion of my growing-up years. It's arguably "the most American of American cities." It's the self-confident "city of broad shoulders," a city that also grew up on the Great Lakes shoreline – Chicago.

In 1851 – at the beginning of the American railway building mania – the Illinois Central Railroad needed a right-of-way into the heart of Chicago. To get it, the privately owned company had to make a deal with the public.

Although Chicago was a crude settlement of 30,000 and only 30 years young, its civic leaders had a vision that would carry the city far into the future. They wanted to protect and promote their waterfront.

The strong winds off Lake Michigan – for which the city is still famous – were washing away Chicago's doorstep. The erosion was relentlessly chewing toward the small but booming business and residential districts west of Michigan Avenue.

What was needed was a system of breakwaters and dikes. But Chicago didn't have the resources to build them. And the federal and state governments weren't willing to provide those financial resources either.

Chicago of the 1850s was on its own as far as the senior levels of governments were concerned. (The same refrain will sound familiar to people in the room today).

Undaunted, Chicagoans entered into some of the most profitable horse-trading in urban history. Or perhaps I should describe it as iron horse trading.

To gain this unique entrance to Chicago's front yard, the Illinois Central would have to construct and maintain a breakwater. It would also have to separate and protect its reclaimed strip of land with low walls and grassy berms.

Finally, no railway structure could be so high as to obstruct the view of Lake Michigan from any cross street between Park Row and Randolph Street.

Railway executives grumbled at the cost and conditions, but they agreed to the terms. And even they were ultimately moved to describe their waterfront line as "the most magnificent entrance to a major city in the world."

When the Great Fire of 1871 destroyed much of Chicago, this incredible entrance survived. And the railway and the civic government once again profited by working in tandem: The city's charred debris was dumped around the swampy Illinois Central right-of-way. The swamps solidified, eliminating the numerous trestles along the route and pushing the shoreline even farther out into Lake Michigan.

One of the immediate benefits was the creation of Grant Park, smack in between Michigan Avenue and the railway corridor.

Freight operations have long since shifted south, out of downtown, to follow the industrial migration to the suburbs. Today fast, frequent and quiet commuter trains still ply the route – a vital link to downtown Chicago and its waterfront, and an integral part of the regional transportation network.

And – as envisioned by the civic fathers of 1851 – the central waterfront is one of the jewels in Chicago’s crown:

- With no industrial blight and no blocked sight lines.
- Where Chicagoans can stroll, run and cycle, swim and play.
- And the home of world-renowned attractions such as the Art Institute of Chicago, John G. Shedd Aquarium, Adler Planetarium, Field Museum of Natural History, Soldier Field and McCormick Place.

The Chicago story demonstrates what happened when a city didn’t turn its back on the lake as it marched on to become a city of brick and brawn, steel and technology.

In an excellent article in the January 25th edition of The Toronto Star, architect John van Nostrand described how Toronto – and many other British colonial settlements – consciously decided to not have a “meaningful, civic relationship” with the bodies of water on which they were founded.

That turned out to be a huge mistake – a mistake we have yet to correct, many generations later.

Chicagoans took a different view 150 years ago with results that are still self-evident today.

Partnership building is a key lesson from the Chicago, where public and private sector interests pooled their interests and both profited. But the other big element is vision.

The Chicago civic leaders of the 1850s can only be called visionaries, and the city continues to live the vision.

We need a new generation of visionaries to step forward here. Yes, Toronto has a long history of civic activism. Some remarkable ideas have emerged because of the willingness of Torontonians to dream and then fight for those dreams.

The chair of today's conference is the personification of a public sector visionary. As mayor in the 1970s, David Crombie bridged the gap between developer and citizen interests. The planning principles that prove development and liveability need not to be mutually exclusive are the legacies of Mr. Crombie.

Someone from the private sector who shares many of those views and values is Robert Fung, who was appointed by the three levels of government to chair the new Toronto Waterfront Revitalization Corporation.

His background and experience have given him a vision that is both public spirited and shaped by the realization that the private sector must play an enlightened role for its own gain.

I think of it as a broadly based role for the private sector that doesn't substitute short-term financial advantage for long-term sustainability on all economic and quality of life levels.

As many of you who know Bob Fung will agree, he's not a man to mince words. He certainly didn't when he addressed Ryerson Polytechnic University's annual business forum last week.

He fired a warning shot to all those who think we can let the goal of waterfront revitalization simply plod along. He pointed to the serious structural issues facing this city and country – chief among them our potential relative decline and growing irrelevance in the global economy.

And it's his assertion that waterfront revitalization must be a major cure for these problems.

In his Ryerson address, Mr. Fung enunciated his view that this city has a golden opportunity to create a new economic model on the waterfront. It would be a place where business and technology clusters coalesce, fuse and prosper together.

It will take new and dynamic live-work communities to make this vision possible. The Port Lands area alone could be transformed into a sustainable city of perhaps 50,000 people – a massive innovative working environment linked with our universities, elevating Toronto into the leading supplier of creativity and portal of knowledge in North America.

For a visionary like Bob Fung, this dream is not too big and Toronto is not lagging so far behind that the dream can't be realized.

We actually have advantages that no other city-region can match. One of them is, in fact, the decrepit state of our waterfront and the untapped potential it represents.

At 2,000 acres, Toronto's central waterfront area is 20 times larger than much-touted waterfront redevelopment schemes such as New York's Battery Park or the London Docklands. That's an awfully big canvas on which to dream, plan and build.

We are the only major city with such a large underdeveloped land mass so close to the commercial centre and the existing urban fabric.

We have the advantage of having all three levels of government on side – a great Canadian achievement itself.

All three governments have bought into the Toronto waterfront vision. Premier Mike Harris committed the Province from the start as an equal funding partner in the \$1.5 billion tri-government investment to start the revitalization process.

We also have the advantage of already having the majority of land holdings in public control. Implementation should be smoother and faster when the seemingly endless and expensive land assembly process is not a major obstacle, as it is in other cities.

And we also have the advantage of being Canada's gateway to the world.

Toronto is our premier international city. While we may have coasted a little too long on this claim, it's still true.

And it remains a Canadian truism that if Toronto doesn't succeed economically, neither will the rest of this region, this province or this country.

Finally, let me emphasize one other advantage that we have. It's the Ontario SuperBuild Corporation.

SuperBuild is our response to demands for more efficient and better-managed infrastructure necessary to meet the relentless challenge of global competition. It was established to bring a greater strategic focus to the decision-making of this government. It is designed to break the bonds of infrastructure deficiency that could threaten the economic, trade and social competitiveness of Ontario.

SuperBuild is embarked on the biggest infrastructure development program in the history of Ontario. When David Lindsay addressed the CUI annual conference in January 2000, he tabled SuperBuild's ambitious five-year target: \$20 billion in total investments in public infrastructure – half from direct provincial government commitments and half from investments by partners in the public and private sectors.

Fast forward to the present. By March 31, 2002, SuperBuild will have invested nearly \$9 billion in more than 3,000 projects. Additional contributions from all partners will bring the total value of these projects to more than \$13 billion.

Partnership is the driving force behind SuperBuild. We want SuperBuild to be a catalyst for the province, municipalities and the broader public sector to partner with the private sector.

The same commitment to partnership will be essential in achieving the 10-year, \$9 billion transit investment target launched by Premier Mike Harris in September 2001 to unlock congestion gridlock, achieve significant auto-to-transit modal shift, and make real progress towards Smart Growth.

The same commitment to partnership will be essential in achieving the Toronto waterfront vision.

That's why the Honourable James Flaherty, Minister of Finance, took the lead by introducing legislation last month that will provide Bob Fung and the new Toronto Waterfront Revitalization Corporation with the framework to bring public and private sector partners together.

Despite our sizeable investment commitment to the waterfront vision, the three governments cannot afford to act alone. That's why SuperBuild – and the new waterfront corporation – will be looking to private sector visionaries to share in the investment and rewards of revitalization.

After all, we will be counting primarily on individual and private sector creativity:

- To develop financially responsible transportation and other infrastructure solutions to serve waterfront development
- To introduce new international benchmarks in urban design, architecture and aesthetics
- To propose new waterfront landmarks and iconic structures that will put Toronto on the international business and tourism maps
- And to create model urban communities along the water's edge

In closing, I don't want to leave you with the impression that we are strictly at the visionary level. Real progress is underway on a new and revitalized Toronto waterfront.

The new corporation now has a board of directors. The three governments have begun flowing funds to the corporation to kick start four initial capital undertakings valued at \$300 million: the Front Street extension, Union Station subway platform expansion, Port Lands remediation and naturalization of the Don River mouth.

The corporation is also developing a business plan that will set the stage for the next wave of project proposals.

And the City of Toronto's Central Waterfront Part 2 Plan, which is working its way through the local approvals process, will be the guiding planning document for the corporation and its future waterfront development partners.

In 1851, a public-private partnership gave Chicago the basis of one of the world's most appealing and active urban waterfronts. The Great Fire of 1871 accelerated and opened up new opportunities for urban renewal in that city.

SuperBuild is our response to demands for more efficient and better-managed infrastructure necessary to meet the relentless challenge of global competition. It was established to bring a greater strategic focus to the decision-making of this government. It is designed to break the bonds of infrastructure deficiency that could threaten the economic, trade and social competitiveness of Ontario.

SuperBuild is embarked on the biggest infrastructure development program in the history of Ontario. When David Lindsay addressed the CUI annual conference in January 2000, he tabled SuperBuild's ambitious five-year target: \$20 billion in total investments in public infrastructure – half from direct provincial government commitments and half from investments by partners in the public and private sectors.

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We don't need a fire here. With our own commitment to partnership building, our own vision and visionary people – and with the work of the new waterfront corporation now getting underway – we've already ignited a powerful spark.

Thank you.

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