Mayor Katz and Members of Executive Policy Committee;

I am here today to provide you with my observations with respect to the 2008 Capital Budget.

Democracy - The manner in which the Capital and Operating budgets are being handled these days is, to me, the 'death of democracy'. There isn't even a **pretense** of involving citizens in the process of developing these budgets as there was under former mayors Susan Thompson and Glen Murray. The public be damned! Here's the budget - whether you like it or not!

Transportation - It is interesting to note that when I made my presentation concerning transit fare increases, I raised the issue about where the 142 million dollars approved for Transit improvements had gone to. Where were the promised articulated buses and where were the heated bus shelters? No one had really given me an answer except to suggest that it takes time for these improvements and that I should be patient. Now we know that in 2008, 56 more bus stops will be upgraded and 20 more articulated could be ordered if the one we have now survives the winter. I remember being the one last year mentioning that in other cities that articulated buses 'jackknifed' on snow and ice and I was booed by the Transit Department who said that this was not an issue. Yet I am told that they are still having problems in Ottawa today. So, what will happen if this test bus does not survive the winter? Are we going to go back to buying the 30 new buses that we have traditional bought, or are we going to transfer the money from transit improvements to transit building improvements?

I have also raised the issue of heated bus shelters. The ones that do exist have only just been hooked up this past week and, according to some people who have seen them, aren't working properly. Electronic fare collection boxes are to be installed in 2009. Why is this taking so long? Real-time electronic displays of bus arrivals and departures won't be in place until 2010! Why is this taking so long???

Most significantly, in this budget, dedicated transit funding of 6.1million of gas tax revenue from the federal government will not go into diamond lanes, new buses, or other transit improvements, but will go into transit buildings. I assumed for a moment that this was for the rebuilding of the Transit garage on Osborne in order to accommodate the articulated buses. But I was wrong. The money is going towards new offices. Now, when did offices take priority over a better transit system? I believe that building transit offices is also against the intent of the federal gas tax money (approximately $6 million per year) where 10% is to go into transit improvements - and could be legally challenged.

Ultimately, all that this shows is the lack of commitment towards a public transportation system and that cars have a higher priority than Transit.

PPPs - Last year we saw private/public partnerships as a way to move projects ahead faster. PPPs accounted for approximately 25% of capital projects last year. This year

the Capital Budget has allotted 30% of capital projects to PPPs. While many see as PPPs as an alternative way of financing capital projects because the City is not required to have the funds up front and costs of the infrastructure are paid through annual lease payments over a 30 year period, PPPs are simply another form of borrowing money. The cost must be paid back, but the payments are made to a private company through an annual lease payment over a 30 year period. If you add up the lease payments projected PPPs in this budget, the cost will be $25 million per year, including the Disraeli Bridge, the Chief Peguis extension, and the already leased Charleswood Bridge. Labour shortages and associated increased wages are a problem for the entire construction industry. The City doesn't do its own contracting, therefore, private contractors are working for the City, incurring higher costs and billing the City for it. Design-built approaches, a common feature of PPPs, puts the onus on the contractor to bring the project in on budget. However, contractors build expected cost increases into their bids. Unfortunately, unexpected and unbudgeted design-built projects result in lower quality products delivered, going bankrupt, or being bailed out by the public sector. Who pays for those cost increases? The taxpayer!

The most common form of PPP is when the private partner finances, builds and operates a facility and leases it back to the government, which is what the City is doing. The benefits, supposedly, are said to be lower debt, lower capital spending, and saving on operation expenses. In reality, the implied costs of borrowing built into PPP leases is higher that the public sector's own direct cost of borrowing. Such projects do not reduce public sector debt as the leases have a value today that is exactly the equivalent to debt.

Finally, another common feature of PPPs is the privatization of information which reduces accountability of how public monies are spent. Borrowing is borrowing and PPPs do not create money. They simply offer a different, and sometimes more costly, way of payment.

Ultimately, ideologically for me, PPPs diminish the meaning of what is truly public and what is truly private.

Thank you.

-30-

Nick Ternette is a community and political activist, freelance writer and broadcaster.