

August 5, 2014

Infrastructure funding needs overhaul, a report urges

By John Michael McGrath
administrator

On the eve of an infrastructure summit to be co-hosted by Premier **Kathleen Wynne** comes a report that buttresses some of her government's complaints - that Ottawa needs to increase its infrastructure spending and, further, spend money in new ways.

The Mowat Centre report, [*Rebuilding Canada: A New Framework for Renewing Canada's Infrastructure*](#), echoes many of the criticisms the Ontario Liberals have levelled against the federal Conservative government.

It says Ottawa's investment in crucial infrastructure is too low and needs to increase, and adds that money which does flow to lower levels of government is often not even tied to infrastructure projects (such as the municipal gas tax transfer.)

On Wednesday, Wynne will speak with Manitoba Premier **Greg Selinger** at a Council of the Federation working group summit in Toronto focused on approaches to building and rebuilding infrastructure projects.

The Liberals campaigned on the need for infrastructure spending in the June 12 provincial election, funded both by increased provincial taxes (on items such as aviation fuel) and hoped-for increased funding from the federal government. The 2014 budget contains an entire chapter on "Federal underfunding of Ontarians."

In July, the Residential and Civil Construction Alliance of Ontario released a report arguing that Ottawa is profiting from [provincial and municipal infrastructure investments to the tune of \\$7.2 billion a year](#). Many different estimates, including the Mowat Centre's and others, have found that Canada is underinvesting in infrastructure relative to other large global economies.

It's hard to pinpoint how much Ottawa is funding infrastructure across the province, although the federal gas-tax transfer will fund [\\$3.8 billion worth of municipal infrastructure projects in Ontario in 2014-19](#).

Including the \$14 billion 10-year Building Canada Fund announced in the 2013 federal budget,

infrastructure spending could approach \$53 billion by 2024.

"I think \$53 billion is a pretty significant number, that you've never seen in the history of any government," federal Transport Minister **Lisa Raitt** said in Toronto last week.

However, the ruling provincial Liberals say that isn't enough and stress that they have committed \$130 billion over 10 years on transit, hospitals, new schools, highways and other infrastructure.

The Mowat Centre report backs up the Liberal complaints, observing that, in Ontario, federal dollars make up just 12 per cent of infrastructure funding, with the balance provided by provincial and local governments.

A number of trends, including Canada's aging population and the increasing severity of climate change-fuelled weather events, will drive a greater need for infrastructure funding, according to the report. Ontarians looking to age at home will need growing levels of services, especially for mobility in dispersed suburban communities.

Over the weekend, a severe summer storm flooded thousands of basements in Burlington and closed roads throughout the southwest GTA. This follows on storms last summer that shut down GO rail service in part of Toronto and a storm in June, 2012, that shut down Union Station in Toronto.

The report recommends a number of models to help alleviate the infrastructure deficit in Canada, estimated at more than \$200 billion for both repair and needed new projects: infrastructure banks, public-private partnerships (P3s), "asset recycling," and green bonds are all recommended. All of these methods except an infrastructure bank have been adopted to some degree in the latest Ontario budget.

Infrastructure banks, common in the United States, can use either public or private funds (or a mix of both) to plan and finance major infrastructure spending at [arm's-length from the governments that charter them](#).