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CRUMBLING WATER AND SEWER SYSTEMS THREATEN THE GTA, GOVERNMENT MUST RESPOND IN INNOVATIVE NEW WAYS

TORONTO (July 24, 2007) – Massive capital spending is needed if the Greater Toronto Area is to continue to provide safe and reliable water and sewer systems for its residents. Yet according to two new reports, the required investments will likely not occur unless the municipalities and other levels of government dramatically change the way they do things.

Commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO) and released today, the reports contain some startling observations and conclusions:

- Billions of dollars of capital investment will be required to build new roads, water and sewer networks in the GTA (the GTA Task Force estimated in 1996 that some $55 billion would be needed over 25 years).

- Most municipalities in the GTA rehabilitate significantly less than one per cent of their water and sewer assets annually. The systems are deteriorating faster than current rehabilitation rates.

- Much of the infrastructure is already operating beyond its useful life. In Toronto, for example, 20 per cent of all water mains are now more than 80 years old.

- Leakage from water pipes has more than doubled over the last three decades. This is a waste of a valuable resource. It also results in higher consumer prices and unnecessary energy consumption and green house gas emissions.

- Federal and provincial grants for water and sewer systems in the GTA have virtually dried up, accounting for only about one per cent of capital spending on this infrastructure in 2005 compared to 12 per cent in 1995.

- At the same time, there has been a downloading of services from the provincial and federal governments. Municipalities have been given added responsibilities without the added revenues. In fact, while federal and provincial government revenues grew by 30 per cent or more between 1995 and 2001, local government revenues rose at less than half that rate.

- There is no coordination between the municipalities in the GTA in planning and managing this infrastructure.

- Capital spending decisions are driven mostly by short-term political considerations rather than long-term planning goals.

“The deteriorating water and sewer systems are due to years of deferred maintenance, ad hoc financing, lack of long-term plans, technical and administrative inefficiencies, layers of bureaucracies, and overlapping and conflicting regulations,” said Tamer El-Diraby of the civil engineering department at the University of Toronto and author of the report on water and wastewater asset management.

Harry Kitchen, economics professor at Trent University and author of the report on financing, noted that consumers pay far less for water than what it actually costs. “That’s because, historically, the municipalities have not included asset replacement costs in calculating their water rates. The impact has been an inability to maintain and upgrade these systems.”

Some of the key recommendations in the two reports are metering, full-cost pricing, and greater private-sector participation. With metering, consumers pay for the amount of water they use. This promotes conservation. As well, metering allows the application of variable rates in order to reflect the season of the year or time of day of water use.

Full-cost pricing ensures that water and sewer charges to the consumer reflect all of the costs of providing these services, including capital costs such as upgrades and system enhancements. Greater private-sector participation is urged because it offers new sources of capital, introduces competition into the public sector, and helps reduce costs.

“Although there is little experience in Canada, evidence from the United Kingdom indicates that private-sector participation produced average savings of 17 to 20 per cent compared to conventionally provided public infrastructure, even though private-sector borrowing costs were higher,” Kitchen noted in his report.

The asset management report offers some interesting governance ideas. For example, public utility corporations could be established to manage these assets with some level of local government oversight – thereby striking a balance between the accountability of elected officials and the need to reduce politics in planning and decision-making.

The utility corporations would be responsible for meeting a clear set of performance standards. These standards would be set out in legislation, and funding from senior levels of government would be tied to meeting these standards. As well, Regional Sustainability Agencies (RSAs) could be created with responsibility for establishing regional plans, and Provincial Infrastructure Banks (PIBs) could be formed to leverage public funding by attracting private investment.

Andy Manahan, Executive Director of the RCCAO, said the association commissioned these reports “in the hope that they stimulate debate on ways to increase investment in vital water and sewer infrastructure, not only in the GTA but across Ontario. The old ways of doing things no longer work. We need to consider some fresh approaches.”

The two reports are available on RCCAO’s website – www.rccao.com – and are titled *Water and Wastewater Asset Management in the GTA: Challenges and Opportunities (*by Tamer El-Diraby) and *Financing Water and Sewer Systems in the Greater Toronto Area: What Should be Done?* (by Harry Kitchen).

The RCCAO is an alliance composed of management and labour groups in the construction industry. Its goal is to work in cooperation with governments and related stakeholders to offer realistic solutions to a variety of challenges facing the sector.

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