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Municipalities need new revenue sources: Canadian Construction Association

VINCE VERSACE

staff writer

Increased gas tax revenues and new revenue generating powers for municipalities are needed for Canada to ultimately increase its productivity and upgrade its infrastructure, says the Canadian Construction Association.

“Municipalities are becoming more and more the custodians of our infrastructure and yet they are not positioned, tax or revenue wise, to support that on their own,” said Michael Atkinson, president of CCA. “They are probably the worst positioned to take on this refurbishment and maintain it.”

In CCA’s recent 2011 federal pre-budget submission it recommended that the federal government considers designing new policy for municipal governments that would permit expansion of their revenue collection powers beyond property taxes and development charges.

The CCA also believes in making the federal rebate of the GST paid on municipal purchases permanent and increasing the federal gas tax transfer to municipalities from $2 billion to $5 billion. These changes would strengthen municipalities in their ability to tackle infrastructure needs, said Atkinson.

“We need a plan in Canada, a new deal, between all three levels of government, this is not just a job for one level but for all,” added Atkinson.

“We need to look long-term at how are we going to sustain, rebuild and maintain Canada’s key public infrastructure.”

The association also recommended that the federal government, in co-operation with the Council of the Federation, should “further research” the links between infrastructure funding and productivity.

CCA cited a recent Residential and Civil Construction Alliance of Ontario’s commissioned report, produced by RiskAnalytica, which found that continued fluctuating infrastructure investment over the next 50 years could cost Canadian workers up to $51,000 each and cut employers’ long-term profits by almost a quarter.

Any research in this area could help Ottawa devise a long-term national infrastructure investment plan, cost-shared equally among all three government levels.

The CCA also advocated for an extension of the current $2 billion Knowledge Infrastructure Program (KIP), slated to end March 2011, but at a $1 billion a year funding level until 2014. An extension of this post-secondary infrastructure investment program will help the industry face projections of 395,000 new workers needed by 2018 just to “keep pace with attrition and growing domestic demand.”

“Our training infrastructure is important, even though the KIP program was great, we still have a problem with our colleges,” said Atkinson. “It is not just the construction industry, but also other industries which are facing huge labour training challenges. Colleges still do not have the capacity to meet our training requirements.”

Improving the effectiveness of the federal Apprenticeship Job Creation Tax Credit is another item that would strengthen training because a 2007 Canada Revenue Agency ruling effectively removed any incentive for employers to use it, explained Atkinson.

The tax credit ended up being treated as government assistance, requiring it to be included in a taxpayer's income, "thereby neutralizing the intended Parliamentary incentive for employers to take on first- and second-year apprentices."

Among CCA's other submission recommendations were a capital cost allowance rate for equipment purchases to 50 per cent and depreciable on a straight-line basis and the implementation of tax deferral for building owners which they would invest in energy efficiency upgrades following the acquisition of a new property.