



Getting Our Priorities Straight

With a federal election in October, industry stakeholders and politicians reveal what they see as Canada's top infrastructure challenges.

Posted on May 1, 2015

Written by André Voshart

The federal election is not until the fall, but provincial and municipal leaders have already begun throwing their opinions into the fray.

In January 2015, Canada's premiers called on the federal government for new spending on infrastructure. In response, Finance Minister Joe Oliver called the premiers "oblivious to the consequences of the current global instability and the dramatic decline in the price of oil." British Columbia Premier Christy Clark subsequently challenged Oliver's statements in *The Vancouver Sun*: "If they want their budget to recover, if they want to help build a country, the way out of this mess is to grow our markets for all of the things that we produce."

In February 2015, Canada's 18 big city mayors predicted the federal party that promises the most help for cities on transit, housing, and jobs will form the next government. Toronto's John Tory told reporters the days of "episodic" help from senior governments are numbered. Calgary's Naheed Nenshi said Prime Minister Stephen Harper got his coveted majority in 2011 with help from seats in Vancouver, Ottawa, and the Greater Toronto Area.

We solicited feedback from the federal parties and industry experts on their top infrastructure priorities and potential solutions.

Transportation and transit

"With respect to transportation, it is no secret that Canada's sub-national governments need significant support in rehabilitating their critical road arteries, bridges, and transit systems," said David Caplan, vice-chairman at Global Public Affairs. "Tight fiscal conditions at provincial levels make the federal government's support essential. Without investment, the effects of extreme weather continue to chip away at our country's aging transportation systems and growing populations will worsen the frustrating gridlock."

With Canada's recent success in signing international trade agreements, gateways are key to furthering our trade agenda. "The recently signed Comprehensive Economic and Trade Agreement between Canada and the European Union mean that Canada's main gateways will need to be equipped to handle increased traffic and that trade enabling infrastructure is instrumental to the country's prosperity," Caplan added.

"From bridges in our border cities to roads in our rural municipalities, our capacity as a country to move people and products efficiently is steadily eroding," said Brad Woodside, president of the Federation of Canadian Municipalities (FCM) and mayor of the City of Fredericton. His major issue is this erosion's impact on both the economy and the quality of life of Canadians. C.D. Howe estimates that, in 2012, snarled traffic cost the Toronto region \$11 billion a year.

It's an issue front-of-mind for federal politicians as well. David McGuinty, Liberal critic for transport, infrastructure, and communities, outlined that his party would focus on transit and transportation "because there needs to be an effective alternative to driving alone, on increasing the densities of cities, and on reducing greenhouse gas emissions."

Liberal leader Justin Trudeau has also spoken about implementing a national approach to public transit, which he outlined in his keynote remarks at the Canadian Council for Public-Private Partnerships (CCPPP) conference in fall 2014. "We're one of the most urbanized countries in the world," he said. "But we're also one of the only developed countries in the world without a national approach to public transit. Canadians need to get where they need to be quicker, more efficiently, and safely."

Urban planning

Canada is increasingly urbanized, and included with a transit strategy is proper urban planning and development.

"Our cities need a real partner in Ottawa to help develop new, resilient urban infrastructure for the future," said Matthew Kellway, the New Democratic Party (NDP) of Canada's infrastructure and communities critic as well as urban affair critic. "This is why the NDP recently proposed its bold urban agenda to get Canada on the right track." Party leader Thomas Mulcair has committed to appointing a minister of urban affairs to complete a new partnership with the provinces.

As well, for the NDP, the rising cost of housing is one of the greatest burdens on families. "As the only G8 country without a national housing strategy, Canada urgently needs federal leadership on affordable housing," he added. "The NDP will make affordable housing a priority through its new minister of urban affairs."

As the country nears election time, Kellway said the party will be proposing additional practical measures aimed at building more resilient communities, suited to changing climate or intense weather events.

Clean energy

For the Canadian Electricity Association (CEA), the main infrastructure priority is ongoing federal support for new clean energy infrastructure. “In recent years, government support has been critical to the development of several electricity infrastructure projects, which have generated unique economic and environmental benefits to communities across the country,” CEA president and CEO Sergio Marchi said. “Often these benefits involve bringing online new zero-emissions resources, and strengthening and diversifying regional energy market linkages.”

Typically, most electricity infrastructure can be funded through established ratemaking processes and access to capital markets. However, in certain circumstances, federal support is warranted. “It is important for the two senior levels of government to cooperate and collaborate on a national strategic plan for energy,” he added.

Furthermore, much of the electricity infrastructure is coming to the end of its life. The Conference Board of Canada has recommended a renewal of \$350 billion in the next 20 years if the country is to ensure reliability. “This is a huge imperative,” Marchi said.

Water and wastewater

Water and wastewater systems are at risk of becoming a public health issue. Canadian municipalities—who are primarily responsible for the maintenance of these systems—face an impossible task of replacing or rehabilitating assets that rely on 50-plus-year-old watermains and pipes. “The scale of investments required in both water and wastewater systems are too large for municipalities to swallow on their own,” Caplan said. “Federal financial assistance to their municipal counterparts should be given before we face another contamination crisis similar to the E. coli outbreak in Walkerton, Ontario in 2000.”

What’s undeniable is how few things have a more direct and fundamental impact on health and well-being than reliable access to clean water. “Municipalities strongly supported the federal government’s new national standards for Canada’s more than 3,500 wastewater systems,” Woodside said. “There is no doubt the regulations will benefit all Canadians, but what may be less apparent is the scope of the investment needed to make this a reality.”

FCM reported that, for example, the Town of Burgeo in Newfoundland and Labrador faces a per-capita cost of \$24,000 to \$27,000. In Prince Rupert, British Columbia, the number is \$10,000 to \$12,000; for the City of Montreal, compliance will cost \$1 billion. Woodside says that, based on conservative estimates developed through both Environment Canada and a survey of impacted municipalities, capital expenditures alone will be in excess of \$18 billion.

“Provincial and federal governments need to approach these investments as partners with municipalities,” Woodside said.

Asset management

The federal government has a role to play in ensuring effective and prudent management of public infrastructure investments. Alan Young, co-president at Tactix Government Relations and Public Affairs, recommended extending the useful life of major assets by insisting on robust asset management policies and practices, which should be promoted by political parties in their respective election platforms.

“Robust asset management policies and practices require those municipalities across Canada receiving federal funds for investment in new infrastructure and/or maintenance of existing public infrastructure also be the beneficiaries of the training and technical support needed to build capacity in the management of public infrastructure assets,” he explained. “Dedicating additional specific funding and support for capacity building in municipalities would help accomplish this.”

Elizabeth May, leader of the Green Party of Canada, sees the infrastructure deficit as a top priority. “We have ignored the maintenance of critical infrastructure for too long,” she said. “Underlying this is an urgent need to replace aging sewer systems, roadways, and water pipes. The issue of general neglect is accentuated by the pressures of the climate crisis which brings additional stress particularly on water infrastructure.”

She also said that Canadians want new investment in green urban infrastructure, including recycling, mass transit, energy efficiency upgrades to buildings, water conservation, and community amenities like parks, sports fields and arts, culture and community centres.

Consistent funding

These priorities all rely on a federal commitment to increase sub-national funding, which is a sentiment echoed by many experts that recommend bringing infrastructure funding to between five and six per cent of GDP.

The Association of Consulting Engineering Companies–Canada (ACEC) reported that, since 2006, infrastructure investment in Canada has averaged 3.4 per cent of GDP, which is significantly lower than the six per cent of GDP seen in the 1950s and ‘60s and the nine per cent China and India are investing in infrastructure.

“Infrastructure funding needs to be long term and predictable,” ACEC president John Gamble said. “There is merit in tying funding into the GDP of the country.” He said it’s incredulous that regions are left wondering how much funding they have in the future. “We don’t worry about this when it relates to health care.”

Overall, Gamble said that, in any given year, there shouldn’t be any doubt in the level of funding. “We need to view infrastructure as an investment to be leveraged rather than an expense to be minimized.”

Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario, claims the ad hoc nature of federal infrastructure funding programs is a real concern. “Plus, the fact as

pointed out in our commissioned research [is] that the risk-and-return equation is out of whack: the tax benefits achieved by Ottawa are disproportionate to the investments that are made.”

Mark Romoff, president and CEO of the CCPPP, said the debate should centre around which party has the best long-term plan to finance the infrastructure renewal. “I believe all mainstream political parties recognize that there is an infrastructure deficit in this country, and the federal government must play a significant role in dealing with these issues,” he said.

“Municipalities need predictable, long-term, dedicated funding,” Woodside insisted. “We need to move away from the project-by-project Band-Aid approach to infrastructure when municipalities need to plan 10 to 15 years into the future for wastewater, transit, and other key priorities.”

All federal opposition parties were quick to echo these statements.

“At the moment, the municipal order of government only receives eight cents out of every tax dollar,” May said. “We need more funding.” On her end, her party supports greater federal leadership in ensuring sufficient municipal funding: “For example, we will explore creating a new pool of municipal infrastructure funding by changing tax rules to create a Municipal Registered Retirement Savings Plans (RRSPs) bond that can be held in RRSPs and self-directed RRSPs. Between January and March 2011, Canadians spent \$9 billion in mutual funds. Imagine if even half of that was available to our communities.”

This will be in addition to increasing the current allocation of the federal gas tax directly to the provinces for transfer to municipalities. “Municipal governments must enter into agreements to ensure that sprawl is not facilitated through extensive infrastructure funding,” May added. “Densification, speedy, safe and pleasant mass transit, safe cycling paths, and other investments to conserve electricity and water will all merit stable financing.”

The NDP said the Conservatives have been unable to get promised infrastructure investments into the communities that need it. “Programs are underfunded and unpredictable, and application processes are complicated and expensive,” explained Marjolaine Boutin-Sweet, the NDP’s deputy infrastructure and communities critic. “To make matters worse, communities are being squeezed by more and more downloading of responsibilities—leaving less and less money for them to invest in their vital infrastructure.”

Some provinces are exploring ways to give cities more financial control, but Boutin-Sweet said Canadians have a right to expect the federal government to do its share. “That’s why, under the leadership of Jack Layton, the NDP was the first party to propose transferring gas tax revenues to municipalities for their infrastructure priorities,” she said.

Liberals called the Conservatives out on not designing their infrastructure plan in cooperation with the provincial and municipal authorities, “who own much of Canada’s public infrastructure,” McGuinty said. “A Liberal government will work in partnership with all levels of government to ensure sustainable growth and prosperity.”

Financing tools

Supplementing an additional federal commitment to funding, innovative financing tools, such as public-private partnerships (P3s), should also be considered to leverage private-sector engagement.

“Increasing private sector engagement will attract more capital and shift associated risks away from the public sector,” Caplan said. “This shields taxpayers from any financial repercussions caused by unforeseen project delays or cost overruns.”

Governments at every level are struggling to balance budgets and are increasingly sensitive to project costs ballooning and delays. “Government alone does not carry all of the expertise needed to successfully execute major infrastructure projects,” Romoff said. “I view public-private partnerships as one of the tools that the federal government can use to help build long-lasting, quality infrastructure that is built on time and on budget, while protecting taxpayer dollars.”

Canada is a world leader when it comes to using the P3 model and now has more than 222 projects operational, under construction, or in procurement at a value of more than \$72 billion among those that have reached financial close. At the federal level, PPP Canada was created with Budget 2007 with a \$1.25-billion fund, which was renewed again in Budget 2013 with another \$1.25 billion.

“The added benefit of the P3 solution is it need not be ideological,” Romoff said. “P3s are not a panacea, but when used at the right time and for the right reasons, evidence shows that all Canadians benefit.”

The CCPPP says the Conservative and Liberal parties of Canada have both supported the use of P3s, and NDP party leader Thomas Mulcair stated he was not dogmatic when it comes to the use of P3s and believes Canada should get more effective in their use. “It is rare in Ottawa to find a solution that all parties can unite on,” Romoff added. “I look forward to all parties putting forward an ambitious infrastructure plan that tackles not only yesterday and today’s infrastructure challenges, but also plans for the future.”