Intelligence MEMOS

From: Michael Fenn

To: Canadians Concerned about Infrastructure

Date: December 18, 2019

Re: **Assessing Ottawa's New Infrastructure Mandate**

Mandate letters arrived for federal ministers last week; 36 lists of New Year's resolutions.

Let's examine how the letter received by new Infrastructure and Communities Minister Catherine McKenna aligns with the challenges she – and Canada – face.

It contains 16 items, each with its own cost and complexity. Some meet the New Year's resolution test of being targeted and achievable. Others may belong to the "nice to have" section of a Christmas wish list.

One of the challenges of past infrastructure programs, from a succession of governments, has been focusing on things that make a real difference, and ideally, that are squarely within federal jurisdictional competence.

McKenna's mandate letter targets areas – like "green" and "social" infrastructure, specifications for school buses and, in housing, "a detailed outreach plan to municipalities" – that may lead to continued interjurisdictional jousting. The protracted negotiations that delayed the current round of infrastructure approvals and investments consumed much time and effort – reconciling and aligning the priorities of three orders of government and the interests of Indigenous communities and private-sector investors. While they may be worthwhile, conditions (and projects) should be transparently costed, based on priority and evidence, before they are "mandated."

Some specific projects will raise eyebrows, especially since the goals of these New Year's resolutions are improving economic productivity and competitiveness, and maximizing the impact of public expenditure. Minister McKenna is urged to move ahead with a no-toll Champlain bridge in Montréal, for example, mirroring the B.C. government's decision to have taxpayers rather than bridge traffic fund two Lower Mainland bridges. Why gateway bridges in B.C. and Quebec are without tolls, while those in Ontario and the Maritimes have them, is a question for another day."

In the list of infrastructure targeted for Indigenous communities by 2030, one would have expected to see specific reference to building and professionally maintaining water, wastewater and stormwater infrastructure using a regional approach, with Indigenous involvement. Likewise within federal jurisdiction, although "trade corridors" are mentioned there is no specific discussion of improving the multi-modal infrastructure and the commercial and real-estate prospects of inland freshwater and saltwater ports, whether along the St. Lawrence Seaway or the increasingly ice-free port of Churchill.

The Parliamentary Budget Officer has criticized the transparency and slow progress of spending in the much-touted first round infrastructure program. As a result, the minister is urged to determine provincial infrastructure priorities and funding commitments by the end of 2021. Where they do not, the Government of Canada will simply top-up the Federal Gas Tax Fund.

But selecting and launching infrastructure projects within 24 months favours the prosaic over the innovative: the park gazebo and the arena parking lot, over rural broadband networks and expanded stormwater facilities. Would it result in any significant new projects requiring an environmental assessment or fundamentally enhancing Canada's economic performance? Leaving aside the issue of federal intervention into provincial jurisdiction over local government, the Canada Gas Tax Fund has few spending parameters. That cash dollop would certainly be welcomed by municipal governments, but will it really advance federal infrastructure goals?

Perhaps the mandate to prepare a succession of longer-term infrastructure funding plans will alleviate these concerns. Still, it seems ironic to vest the future of local infrastructure funding in a declining Gas Tax Fund. As Professor Harry Kitchen observed in a recent study, gas tax revenues in Ontario will drop from around $150 today to less than $90 per capita within two decades, driven in part by the federal government's own climate-change mitigation and energy-efficiency measures.

There is much good and much encouraging in the mandate letter, such as funding for infrastructure to promote housing supply, universal high-speed broadband, climate-change resilience and quicker, high-frequency passenger rail (in Ontario and Quebec, although not in Alberta), along with a commitment to evidence-based, long-term priority-setting.

But as the recent Lawrence National Centre / Ivey Business School study of infrastructure risk points out, infrastructure investments need to address three, distinct purposes: (1) improving economic performance and environmental sustainability, through innovation; (2) restoring, refurbishing and modernizing existing infrastructure; and, (3) where required, bolstering employment and economic activity in depressed regions or during economic recession. These goals need to be distinguished – and focused.

Good infrastructure decisions can serve us for generations; but poor or short-sighted decisions can burden taxpayers for decades.

Michael Fenn was an Ontario Deputy Minister under three premiers.

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