

## Politicians ignore creative ways to fund our crumbling infrastructure

We are facing the most serious infrastructure crisis in the country's history. Yet governments are ignoring funding and management solutions used successfully around the world



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We are facing the most serious infrastructure crisis in the country's history. Yet our governments are ignoring funding and management solutions that are being used successfully around the world.

[Chunks of concrete are falling from the Gardiner Expressway.](#) It will take \$500 million to repair. The Greater Toronto and Hamilton Area needs \$2 billion a year for at least 25 years to build a modern rapid transit system for the region.

[Canada's total infrastructure deficit is over \\$400 billion](#) Canada's total infrastructure deficit is over \$400 billion. The life expectancy of 80 per cent of our infrastructure has been exhausted. Our health, safety and economic growth is being threatened by sink holes, crumbling highways, rusting bridges, aging subways and ancient water treatment plants.

During the lead-up to this week's federal budget the opposition and the government continued their perennial argument about infrastructure spending. The debate still focuses around an outdated, unaffordable solution – government-owned, operated and financed public works.

[Finance Minister Jim Flaherty has repeatedly said he has no interest in large "risky" infrastructure spending initiatives.](#) The NDP want him to introduce another round of stimulus spending with the focus on urban infrastructure.

This exchange ignores the fact that governments at all levels no longer have room to finance even a small portion of the Canada's infrastructure needs. Meanwhile, other countries are using private sector financing, dedicated taxes and user fees.

As well as the reluctance to explore alternative sources of funding, there is the problem of denial. Both the federal and Ontario governments claim they are addressing the infrastructure deficit. They're not.

Last year's federal budget routinely confirmed investment in infrastructure renewal at \$40 billion spread over seven years (2007-2014). This addresses less than 2 per cent of our national infrastructure needs. Don't count on any new and creative funding strategies in this week's budget.

Ontario has more than \$100 billion in unrepaired or unbuilt infrastructure. 60 per cent of it is over 50 years old. Half is in GTHA municipalities. The last Liberal budget claimed to "preserve a high level of infrastructure investment."

But spending \$35 billion over the next three years isn't nearly enough to even stabilize the provinces crumbling infrastructure. Premier Kathleen Wynne has promised to "invest political capital" to bring new sources of financing to transit. Action on this "conversation" is long overdue.

Aside from health and safety concerns, Canada's chronic infrastructure under-spending has serious economic implications.

A 2010 report from the [Residential and Civil Construction Alliance of Ontario](#) warns it means a 1.1 per cent annual loss of GDP, with hundreds of thousands of jobs lost. It also lowers wage levels and business profits because of the impact on productivity and business dependence on infrastructure. And it's weakening our global competitiveness.

It doesn't have to be this way. There are proven strategies that can help.

To utilize them governments have to acknowledge three realities. First, this is a pressing problem. Second, the solution goes beyond their current financial capacity. And, third they need to shift their attention to alternative means of financing, operating and maintaining existing and future public infrastructure.

For decades, cities around the world have been using a variety of revenue sources to fund rapid transit expansion. A dedicated portion of their gas tax. Highway and inner-city congestion tolls. Parking surcharges.

Public Private Partnerships (PPPs) offer a proven means of shifting a major portion of the financing and risk associated with constructing and maintaining new and renewed public infrastructure to the private sector.

Dozens of countries, governed by different political ideologies, are years ahead in working with the private sector. They are using PPPs to finance, build and operate infrastructure in sectors ranging from energy and transportation to telecommunications and waste management.

More productive use of existing systems is also part of the solution.

A [2011 Conference Board of Canada](#) report found the productivity of privately owned rail freight and gas distribution grew at over 3 per cent annually from 1986 to 2008. Productivity in publically owned urban transit and municipal water treatment declined over the same period.

Finally, a National Infrastructure Bank, similar to those that exist in many U.S. states, could be an important source of new funding. The federal government and private pension funds would co-invest in the bank, which in turn would finance major infrastructure projects using long-term bonds.

None of these solutions is risk-free. But proven templates are in place for every one. It's time for governments in Canada to get more creative about financing and operating public infrastructure. Our future quality of life depends on it.