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Construction associations back permanent gas tax fund transfers

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The federal government's introduction of legislation to make permanent the annual transfer of funds to municipalities, under the Gas Tax Fund (GTF), is a critical infrastructure redevelopment step, says the Canadian Construction Association (CCA).

"Canada's cities are the economic engines that will continue to drive growth and prosperity for future generations of Canadians," said Michael Atkinson, CCA president.

"Unfortunately, without access to growth taxes, many municipalities are struggling to keep pace with the growing demands our aging infrastructure is placing on their municipal tax base. Making permanent an annual per-capita transfer under the Gas Tax Fund will help to address their infrastructure needs."

With the expiry of the Building Canada Plan in 2014, this is the first time a federal infrastructure program has become a permanent fixture.

The permanent transfer concept was first introduced in the federal budget of March 2011 and then the government announced a renewed commitment in June. The 2011 budget indicated permanent annual investment of $2 billion in the GTF to provide predictable, long-term infrastructure funding for municipalities.

The GTF has been a feature of federal infrastructure support and redevelopment programs since its introduction in 2005. The fund helps municipalities pay for the development and maintenance of core public infrastructure, such as local roads and bridges, drinking water, wastewater systems, communication energy systems, and public transit.

■ Federal government commits to building long-term infrastructure plan

Karen Renkema, Director Government Relations with the Ontario Road Builders' Association (ORBA), said ORBA has been advocating for a permanent funding for infrastructure for quite some time at the provincial and federal levels.

"Having some kind of long-term stable source that both municipalities can plan with and the construction industry can plan their businesses around is positive," she said.

But she suggested reconsidering what projects the GTF actually funds.

"If it is truly a usage tax then it would make sense that the tax would be dedicated to road and bridge infrastructure projects. Here in Ontario that hasn't necessarily been the case," she said, pointing to the 2010 Ontario fund awards where one went to a municipality for library construction.

She wants more thought on how government will ensure the funding will be spent on core infrastructure.

"I think with our deficit situation and given the fact that we are reconsidering how money is spent, further concentration needs to be had on what it is our core infrastructure and what is the essential infrastructure," she explained.

“We need to either continue to rehabilitate or to build in order to deal with growing our economy, increasing productivity and that leads back to roads and bridges.”

Residential and Civil Construction Alliance of Ontario Executive Director Andy Manahan said the GTF is good up to a certain extent, but other factors need to be considered.

“We’ve said over time because of the introduction of more electric vehicles and hybrid vehicles, on a proportional basis, there is likely to be a decline of overall gas tax revenues as compared to what it might be today,” he said.

There will clearly be more vehicles on the road with an increasing population, he said, but with a shift to electric cars — Ontario Premier Dalton McGuinty plans to have five per cent of all new cars be electric by 2020 — users won’t be paying into the roads they use.

“There might be other types of funding mechanisms or user-pay approaches in the future, but right now there’s no way to capture their use of that kind of infrastructure or facility.”

From 2007 to 2014, the GTF will contribute $11.8 billion to municipalities.