Empower Municipalities to Maintain Essential Infrastructure and Link Investments to Economic Growth

Issue

Municipally-owned infrastructure represents nearly 60% of all public infrastructure in Canada. It is the backbone of safe, healthy and prosperous communities in which businesses grow and prosper. Infrastructure investments must be sustainable and support the long term growth of our economy and quality of life.

Background

Research shows that modern, safe and efficient infrastructure, like roads, bridges and sewers, increases productivity and competitiveness[1]. It gets us to work, helps us communicate and provides safe, clean drinking water.

In recent years the federal government has doubled its infrastructure investments to $10 billion in 2016 and 2017 and committed $20 billion to public transit, green and social infrastructure. Furthermore, in 2017 the government committed $35 billion over 11 years to the Canada Infrastructure Bank which would help fund new or transformative infrastructure projects that have the potential to generate revenue. These new projects are expected to create jobs and economic growth.

As more than half of Canada's public infrastructure, valued at $1.1 trillion, is owned by municipalities[2], they will receive a large portion of this funding through partnerships, grants and loans. In distributing these funds, the federal government has a responsibility to find the right balance between ensuring the funding supports the long term growth of our economy while meeting the needs of local communities.

According to the Federation of Canadian Municipalities[3], one third of municipal infrastructure is reported to be in fair, poor or very poor condition. Many smaller, more remote communities must choose between maintaining existing core infrastructure and building "incremental" or new, accelerated projects. While Asset Management Plans are helping communities identify their priorities, accessing funding that meets their needs can be a real challenge. Application-based funding programs are onerous, provide no guarantees and may not be applicable to smaller communities.

The Gas Tax Fund is an example of a successful funding program that is formula-based, permanent, predictable and reliable. The administrative burden is minimal and communities can use the funds on their priority infrastructure projects that may not directly align with federal priorities, but will benefit the local economy. This program should be expanded so that municipalities can tackle priorities as identified in their asset management plans.

At the same time, Canada needs a long term sustainable infrastructure plan that invests in productivity-enhancing projects and adopts and outcomes-based approach rather than a project-based approach. The new infrastructure demands coupled with the maintenance and future rehabilitation will further strain our resources. This will only be compounded by further population growth.

Recommendations

That the federal government:

1. Develop an infrastructure strategy that ensures that the criteria for Phase 2 funding is evidence based so that core infrastructure investments are linked to productivity performance and enhancement, economic growth and job creation;
2. Deliver an increased share of the existing federal infrastructure funding through programs like the Gas Tax Fund so municipalities can invest in local and evidence-based priority projects;

3. Recognize the many years of critical capital planning and prioritization work already undertaken by municipal asset management plans and work with both the provincial and municipal governments on a flexible approach by not imposing "incrementality" requirements for project eligibility;