Canadian Infrastructure

CanaData

Construction Industry Forecast Conference

September 2015 – Toronto, Ontario
Infrastructure and Canada’s Economy

- Sustained infrastructure investment is essential to maintaining Canada’s future prosperity and quality of life;
- Investments in infrastructure increase productivity;
- *If trade is the oxygen of the Canadian economy then infrastructure is the lungs!*
In the short term for every dollar invested in infrastructure GDP increases by $1.43 and over the long term the discounted present value of GDP generated per dollar of public infrastructure spending or return on investment lies between $2.46 and $3.83.
Infrastructure and Canada

- Infrastructure instrumental to the founding of Canada
- Promise of Eastern rail link helped bring about Confederation with Eastern colonies
  - Intercolonial Railway connecting Quebec City to Halifax
- Rail link between the East and the West instrumental to BC’s entry and populating the West
  - Transcontinental Railway
Historical Federal Investments in Infrastructure

- Transcontinental Railway – 1880
- Port of Vancouver – 1923
- Canadian National Railway – 1919 to 1922

- Trans-Canada Highway System - 1950
- St. Lawrence Seaway - 1954
- Airports
Trend – Custodial Responsibility Shifting to Local Levels – Ownership 1955 - 2007

Source: Statistics Canada: CANSIM Table 031-0002, Capital and repair expenditures, by sector and province
Custodial Shift - Privatization

- Railways (Publicly Traded)
  - CN privatized in 1995
- Airlines (Publicly Traded)
  - Air Canada privatized in 1988
- Airports (Not-for-profits)
  - Vancouver International Airport – 1992
  - Others followed soon after
- Ports (Not-for-profits)
  - Canada Marine Act – 1998
The Custodial Shift - Urbanization

Source: Statistics Canada: Census Data - Population, urban and rural, by province (Canada): http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo62a-eng.htm
The Shift - Public Capital Spending and Population Growth

Source: Statistics Canada: CANSIM Table 029-0005; Capital and repair expenditures, by sector and province, annual (dollars x 1,000,000)
Source: Statistics Canada: CANSIM Table 051-0005; Estimates of population, Canada, provinces and territories
The Shift – To Level Least Positioned to Generate Revenue?
Can Municipalities Fund Infrastructure Renewal on Their Own?

Municipal Government Share of All Tax Revenues

- Municipal Governments: 8%
- Provincial/Territorial Governments: 50%
- Federal Government: 42%

Municipal governments receive less than 10 per cent of existing revenues.
Current Facts and Trends

Federal Contribution to Infrastructure in Decline

Source: Finance Canada
Current Facts and Trends

Capital Spending Often Cut in Times of Fiscal Restraint

Is this changing? **This past tendency directly contributed to Canada’s infrastructure deficit.**
Federal Infrastructure Investment

Funding for Provincial-territorial and Municipal Infrastructure
Federal Infrastructure Program

New Building Canada Plan

- **Community Improvement Fund**
  - $32 billion over 10 years

- **New Building Canada Fund**
  - $4-billion National Infrastructure Component
  - $9-billion Provincial-Territorial Infrastructure Component
  - $1-billion for Communities with less than 100,000 residents

- **Public-Private Partnership Canada Fund**
  - $1.25 billion over 5 years

- **Carryover from previous program (BCP)**
  - $6 billion

Federal Infrastructure Program

New Building Canada Plan

Source: Department of Finance, Budget 2013 and Budget 2015
Federal Infrastructure Program

New Democratic Party

Source: Press Release – Tom Mulcair’s plan to build stronger cities and communities, June 06, 2015
Federal Infrastructure Program
Liberal Party of Canada

Source: Department of Finance, Budget 2013 and Budget 2015
Infrastructure Investment

Where Canada Ranks in the OECD

Source: OECD (2013), OECD Economic Outlook 94 Database
Canadian Infrastructure Report Card (2012)

What Is It?

- First Canadian attempt to quantify the infrastructure challenge.
- Data drawn from responses received from 123 municipalities across Canada.
- Project Objectives:
  - Repeatable
  - Defendable
  - Raise Awareness
  - Factual

Source: Canadian Infrastructure Report Card 2012
Canadian Infrastructure Report Card 2012

About the Ratings

- **Very Good** – Fit for the Future (80% or higher)
- **Good** – Adequate for Now (70% to 80%)
- **Fair** – Requires Attention (60% to 69%)
- **Poor** – At Risk (50% to 59%)
- **Very Poor** – Unfit for Sustained Service (50% or less)
# Canadian Infrastructure Report Card (2012)

## Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drinking Water</td>
<td>15.4%</td>
<td>Good, Adequate for Now</td>
</tr>
<tr>
<td>Wastewater</td>
<td>30.1%</td>
<td>Good, Adequate for Now</td>
</tr>
<tr>
<td>Stormwater</td>
<td>23.4%</td>
<td>Very Good, Fit for the Future</td>
</tr>
<tr>
<td>Municipal Roads</td>
<td>52.6%</td>
<td>Fair, Requires Attention</td>
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</tbody>
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**Drinking Water**
- 15.4 percent of drinking water pipes rank fair or below.
- Replacement cost: $25.9 billion or $2,082 per household in Canada.

**Wastewater**
- 30.1 percent wastewater pipes rank fair or below.
- Replacement cost: $39 billion or $3,136 per household in Canada.

**Stormwater**
- 23.4 percent of stormwater pipes rank fair or below.
- Replacement cost: $15.8 billion or $1,270 per household in Canada.

**Municipal Roads**
- 52.6 percent of municipal roads rank fair or below.
- Replacement cost: $91.1 billion or $7,325 per household in Canada.

Note: "Replacement cost" means how much it would cost to bring all of the infrastructure at fair or below up to "good" condition.

Source: Canadian Infrastructure Report Card 2012
Canadian Infrastructure Report Card 2012

The Results

- The replacement cost for assets rated fair or below was **$171.8 billion**.
- Municipal roads – Replacement cost estimated at $91.1 billion or $7,325 per Canadian household.
- Wastewater infrastructure – Replacement cost estimated at $39 billion or $3,136 per Canadian household.
- Drinking-water infrastructure – Replacement cost estimated at $25.9 billion or $2,082 per Canadian household.
- Storm water infrastructure – Replacement cost estimated at $15.8 billion or $1,270 per Canadian household.
Many municipalities do not have accurate information regarding the condition of their infrastructure assets.

The situation is particularly acute within small and rural municipalities.

Finite financial resources and limited staff time preclude a much more thorough, real-time evaluation of the state and performance of their physical infrastructure.
1. **Secure, stable investments** - Certainty and predictability key.
2. **Supporting economic growth.**
3. **Flexibility: Keeping communities – large and small – strong.**
4. **A balanced approach with smart partnerships.**
5. **Building municipal capacity** - Federal investments must help build municipal capacity to plan, build and maintain their infrastructure over the long term.
The Five Myths of Canadian Infrastructure

Todd Latham, Founder of Renew Canada

1. We are doing better than other countries;
2. It is all about roads and bridges;
3. The Canadian public understands:
   “Taxpayers support infrastructure renewal as long as it creates new jobs, doesn’t increase their taxes and does not require user-pay structures or special municipal levies to pay for it. The party is over: citizens need to wake up and realize that quality of life is not free.”
4. Local governments are looking long term;
   and
5. There is little we can do about climate change.
Infrastructure investment is not the sole domain of any one level of government in Canada and must be a priority focus for all.
The New Public Policy Milieu

The inability of governments in Canada to plan long term necessitates the formation of partnerships with the private sector.
Future Needs

Trade-enabling Infrastructure
Future Needs
Trade-enabling Infrastructure
3. Balancing government budgets by neglecting infrastructure is “borrowing” dangerously from our future! A series of financing options must be explored so that prudent fiscal planning and prudent infrastructure management are not perceived nor in fact mutually exclusive.

4. Governments must abandon the short term annual deficit/surplus fixation and instead adopt prudent policies that seek to meet longer term Debt/GDP targets.
The New Public Policy Milieu

5. Canadians must learn that “state-of-the-art” public infrastructure that supports a healthy, environmentally friendly and prosperous quality of life is NOT free and that they as taxpayers may ultimately have to pay more.
THANK YOU

Questions?