

# QUALITY PUBLIC SERVICES YOU CAN COUNT ON



## Public infrastructure: building a more sustainable and equitable future



**P**ublic infrastructure is an excellent investment. It provides valuable public services that improve the quality of life in our communities, and also has important short-term and long-term economic impacts.

Over the short-term, public investment in infrastructure provides one of the strongest boosts to the economy in terms of stimulating economic growth and creating jobs. Over the long-term, public infrastructure improves life in the community for all, increases productivity, reduces costs for business and helps stimulate increased business investment.

Canada's infrastructure deficit remains over \$100 billion. Local governments also bear much of the additional infrastructure costs for climate change mitigation and adaptation. The 2013 floods cost the Province of Alberta and City of Toronto \$3 billion. The annual costs of natural catastrophes are forecast to rise to \$5 billion annually by 2020 and to over \$20 billion annually in 2050.

With interest rates at historic lows, there is no better time to undertake capital infrastructure investments. Despite higher levels of capital investment, debt servicing costs for local governments now average only 2.5 per cent of total revenues, less than half of what they were between 1990 and 2005. These levels are far below any provincial debt servicing restrictions on municipalities, which are typically set at 20 to 30 per cent of revenues. Municipalities have ample room to borrow to undertake capital investments, particularly if they can do so through low-cost public municipal financing authorities.

Municipalities are responsible for approximately 60 per cent of Canada's core public infrastructure but collect about 12 cents of every tax dollar. This means federal and provincial governments must also provide direct support to municipal governments for infrastructure investments.

### **Budget 2016 a start**

CUPE welcomes the Liberal government's commitment to increase infrastructure funding by \$5 billion annually and by \$60 billion over the next decade. CUPE also welcomes this funding being targeted to public transit, social infrastructure and green infrastructure.

The 2016 federal budget provided a down payment on these commitments through Phase 1 of the federal New Infrastructure Plan – though less than what was promised. The budget includes an additional \$2.7 billion funding for transit, social and green infrastructure in 2016/17 and another \$3.9 billion in 2017/18 for a total of \$6.6 billion over the next two years. Overall, this is two-thirds of what the Liberals promised for these first two years.

Infrastructure Minister Sohi's commitment to fund up to half the cost of projects through the Public Transit Infrastructure Fund and the Clean Water and Wastewater Fund is also a positive move.

Over the past few years, CUPE has joined the FCM in calling for a dedicated water and wastewater fund to help cover the high cost of municipalities taking action to meet tougher federal effluent regulations. These regulations come into force in 2020, starting with 106 municipal wastewater systems deemed high risk. Funding to meet the new regulations should be increased above the \$2 billion allocated over the next four years to the Clean Water and Wastewater Fund.

Funding is also welcome under the social infrastructure envelope for affordable housing, shelters for victims of family violence, early learning and child care, and cultural and recreational projects. Municipalities have an important role to play improving social conditions in their communities, particularly for the most vulnerable, and federal and provincial governments must provide adequate funding in these areas as well.

Municipal governments are also well-positioned to strengthen cooperation and partnerships with neighbouring First Nation communities to improve infrastructure and living conditions in Indigenous communities. Improving conditions for Indigenous Canadians is an important obligation and priority for the federal government. Municipal governments have a lot to offer through partnerships, such as those developed through the FCM's First Nations–Municipal Community Infrastructure Partnership Program.

### **P3s cost more, deliver less**

CUPE welcomes the government's commitment to eliminate the public-private partnership (P3) screen. The federal government should also eliminate the requirement that federally-funded public transit projects be delivered as P3s. Ontario's Auditor General reviewed 74 P3s in the province, and found they cost on average almost 30 per cent more than publicly financed and operated projects – despite persistent claims they cost less. Other independent studies have uncovered the flaws in P3 policies and processes. In health care, the higher cost of P3s is already leading to cuts to front-line public services. P3s don't save money: they merely hide higher costs and debts by shifting them into future years.

CUPE has also urged the federal government to eliminate federal privatization agency PPP Canada Inc. and redirect the \$1.25 billion P3 Canada Fund to fully public infrastructure projects. The proposed Canada Infrastructure Bank could provide a vehicle for additional infrastructure financing but it shouldn't be used to subsidize higher-cost private finance.

Finally, the federal budget allocated \$50 million to support FCM developing community capacity for asset management. This is an excellent opportunity for the FCM to develop and share trusted and objective in-house analytical capacity with municipal governments, so they don't have to contract through expensive and often biased private sector consultants.

The federal government's strong focus on infrastructure that promotes environmental sustainability and social inclusion is long overdue. CUPE looks forward to working with the FCM, federal and provincial governments and other stakeholders to ensure the second phase of this plan continues to focus on these priorities, and meets the needs of communities across Canada.

