

November 2007

Building Canada, but not by much...

The federal Conservative government's recently launched *Building Canada* infrastructure funding plan is described by federal ministers and in federal communications as "historic", "unprecedented", "ambitious" and providing "more funding, over a longer period of time, from 2007 to 2014, than any previous federal infrastructure initiative"¹.

These statements are technically true. But the Building Canada infrastructure plan only provides more funding than previous initiatives because it has rolled different programs into one plan and extended funding over more years.

The reality is that the big increases to federal infrastructure funding were made in previous years and by previous governments. Federal infrastructure funding will increase by only 1.1% a year – even less than the rate of inflation – after 2009/10, when the gas tax funding reaches its maximum.

The only real new funding included in the 2007 Budget and as part of this plan is the new *P3 Fund*, which provides \$1.25 billion over seven years to subsidize the privatization of public services, and the *Provincial-Territorial Base Funding*, which provides \$25 million per year to each province and territory. This base funding was also provided as part of the fiscal rebalancing deal with the provinces. The \$25 million may be significant for a smaller province or territory, but it doesn't go far in a larger province.

All other infrastructure funding in the *Building Canada Plan* is funding that was previously committed and is being extended or repackaged. If these two new programs are excluded, then the federal government's promised funding for infrastructure in the 2007 Budget will actually drop in two years compared to what was promised in the 2006 Budget.

The 2006 Budget increased federal funding for infrastructure, but a large part of this involved renewing and extending existing agreements, such as the Municipal Rural Infrastructure Fund and the Canada Strategic Infrastructure Fund, over further years.

The Building Canada Fund is essentially a consolidation of existing federal government infrastructure funding programs, including the *Infrastructure Canada Program*, the *Canada Strategic Infrastructure Fund* and the *Municipal Rural Infrastructure Fund*. Funding committed under these existing programs will sunset over the next six years, with anticipated funding for these programs in the future going into the Building Canada Fund.

Federal Infrastructure Funding Budget 2007 and Budget 2006			
Infrastructure funding (millions)	2007/8	2008/9	2009/10
Budget 2007 total federal infrastructure funding	\$ 4,335	\$ 4,653	\$ 5,442
P3 Fund	\$ 82	\$ 132	\$ 169
Provincial-Territorial Base Funding	\$ 325	\$ 325	\$ 325
<i>Infrastructure Funding less P3 Fund and "base funding"</i>	\$ 3,928	\$ 4,196	\$ 4,948
Budget 2006 total infrastructure funding	\$ 3,872	\$ 4,177	\$ 4,976
<i>Difference</i>	\$ 56	\$ 19	\$ (28)

Sources: *The Budget Plan 2007*, Table 5.3 (p. 167); *The Budget Plan 2006*, Table 3.9 (p. 119). The 2005 Federal Budget and economic statements did not provide a total for federal infrastructure funding commitments.

¹ "Prime Minister, Premier announce Canada-B.C. agreement to launch Building Canada plan" Press release, Prime Minister's Office, November 6, 2007. <http://www.pm.gc.ca/eng/media.asp?id=1893>. See also Government of Canada, 2007. *Building Canada: Modern Infrastructure for a Strong Canada*. <http://www.buildingcanada-chantierscanada.gc.ca/plandocs/booklet-livret/booklet-livret-eng.html>

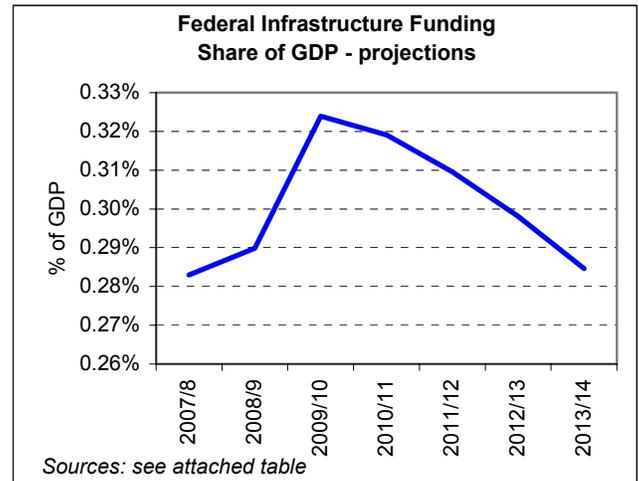
As the Federation of Canadian Municipalities noted in its analysis of the 2007 federal budget:

“The BCF (Building Canada Fund) does not represent a significant incremental investment in infrastructure beyond historical expenditures.... [and] does not deliver a long-term investment strategy for infrastructure.”²

The only substantial increases in federal infrastructure funding in the next few years are from increases in the gas tax funding for municipalities. This funding, which was part of the *New Deal for Cities and Communities* announced in the 2005 Budget, increases from \$800 million in 2007/8 to \$1 billion in 2008/9 and to a maximum of \$2 billion a year in 2009/10.

After 2009/10, when the gas tax funding reaches its maximum, federal funding for infrastructure will only increase by an average of 1.1% per year and will even decline in 2013/14. This is far below growth rates expected for GDP, for federal revenues, federal spending and even for inflation. The result will be a deteriorating federal commitment to infrastructure funding and a declining commitment in real, real per capita and proportional funding terms (see attached table and graph).

Total federal infrastructure funding is expected to reach a maximum of 0.324% (less than a third of a percent) of Canada’s GDP in 2009/10 and then consistently decline down to 0.285% of GDP by 2013/14. It will also decline as a ratio of federal revenues and of federal spending, and will drop significantly from 2009/10 onwards both in real dollar terms and in real dollars per person.



The “Building Canada Plan” may be “unprecedented” and “historic”, but that can be said about anything that is new, or newly repackaged. It is unprecedented not for its increase in funding, but for its drive to privatize public services and for its level of political hyperbole.

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² FCM Analysis of Federal Budget 2007, March 2007, pp. 3-5. <http://www.fcm.ca/english/documents/march192007.html>

Federal Infrastructure Funding Plans – 2007 Budget							
	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
Total federal Infrastructure Funding (\$millions)	\$ 4,335	\$ 4,653	\$ 5,442	\$ 5,597	\$ 5,669	\$ 5,698	\$ 5,680
<i>growth rate</i>		7.3%	17.0%	2.8%	1.3%	0.5%	-0.3%
<i>Of which:</i>							
Sunsetting programs	\$ 1,597	\$ 1,141	\$ 571	\$ 362	\$ 326	\$ 27	\$ -
"Building Canada Plan" total	\$ 2,738	\$ 3,512	\$ 4,871	\$ 5,235	\$ 5,343	\$ 5,671	\$ 5,680
Gas Tax Funding	\$ 800	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
GST Rebate	\$ 715	\$ 750	\$ 790	\$ 830	\$ 875	\$ 915	\$ 960
Building Canada Fund	\$ 572	\$ 926	\$ 1,186	\$ 1,401	\$ 1,427	\$ 1,636	\$ 1,655
Gateways and Border Crossings Fund	\$ 137	\$ 221	\$ 283	\$ 335	\$ 341	\$ 391	\$ 396
P3 Fund	\$ 82	\$ 132	\$ 169	\$ 200	\$ 204	\$ 234	\$ 236
Provincial-Territorial Base Funding	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325	\$ 325
Asia Pacific Gateway and Corridor Initiative	\$ 108	\$ 158	\$ 118	\$ 144	\$ 172	\$ 170	\$ 108
<i>Infrastructure funding excluding gas tax</i>	\$ 3,535	\$ 3,653	\$ 3,442	\$ 3,597	\$ 3,669	\$ 3,698	\$ 3,680
<i>Infrastructure excluding gas tax and P3 Fund</i>	\$ 3,453	\$ 3,521	\$ 3,273	\$ 3,397	\$ 3,465	\$ 3,464	\$ 3,444
	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
Federal Infrastructure Funding as a ratio of:							
GDP	0.283%	0.290%	0.324%	0.319%	0.310%	0.298%	0.285%
Federal Revenues	1.78%	1.89%	2.13%	2.10%	2.04%	1.97%	1.89%
Federal Program Spending	2.18%	2.24%	2.51%	2.49%	2.43%	2.35%	2.25%
Total federal spending	1.87%	1.93%	2.17%	2.16%	2.12%	2.06%	1.99%
In real dollars (millions – at 2% inflation)	\$ 4,335	\$ 4,562	\$ 5,231	\$ 5,274	\$ 5,237	\$ 5,161	\$ 5,044
per person	\$ 132.08	\$ 140.60	\$ 163.09	\$ 166.38	\$ 167.18	\$ 166.70	\$ 164.87
real \$ per person	\$ 132.08	\$ 137.84	\$ 156.76	\$ 156.79	\$ 154.45	\$ 150.99	\$ 146.40

Sources: Canada, Department of Finance, *Budget Plan 2007*, <http://www.budget.gc.ca/2007/pdf/bp2007e.pdf> Table 5.3 p. 167; Department of Finance, *2007 Economic Statement* http://www.fin.gc.ca/budtoce/2007/ec07_e.html; and Statistics Canada, *Population projections for Canada, Provinces and Territories 2005-2031*, <http://www.statcan.ca/english/freepub/91-520-XIE/00105/ffront1.htm>. Average growth rates applied to 2010-2013 period.

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