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Solid foundation: A COVID-19 recovery built on public infrastructure

Summary

The COVID-19 pandemic has triggered twin economic and public health crises in Canada and around the world. Rapid and drastic changes to limit the spread of COVID-19 have brought into sharp focus the importance of public services and facilities as the key to an effective pandemic response. The last few months have also highlighted the devastating consequences when these services and supports are weakened by cuts and privatization. As the federal government develops plans to use infrastructure investment to restart the economy and rebuild after the crisis, it must heed the evidence that privatization is the wrong prescription for our country's economic and social health.

Federal Minister of Infrastructure and Communities Catherine McKenna is developing a plan to boost the economy by speeding up more than $180 billion in infrastructure spending already budgeted between now and 2028. She has also announced that the Canada Infrastructure Bank (CIB), which allows corporations to profit from privatized infrastructure, will play a major role in this economic stimulus. This is a risky move that takes our country in the wrong direction.

The costs of privatization

Most CIB projects are expected to be developed as long-term privatization deals known as public-private partnerships (P3s). The CIB is mandated to use $35 billion in public funds over 11 years to leverage the private financing, ownership and operation of revenue-generating green infrastructure projects like renewable power and water and wastewater systems, as well as public transit, roads and bridges, and broadband projects.

Developing infrastructure projects as P3s will not provide the support local and provincial governments need and won't deliver a critical boost to the economy. Instead, P3s will lock governments into long-term contracts with corporations that can double infrastructure project costs over 30 years. These decades-long privatization deals are expensive, risky and unaccountable.

Research shows that P3s:

- **Delay infrastructure projects** because of lengthy timelines to plan and negotiate 20 or 30-year contracts that cover financing, maintenance and operations.
- **Drive up project costs** by using expensive private financing rather than public sector financing that is available at historically low interest rates.
- **Are now even riskier due to COVID-19,** with user-pay P3s experiencing plummeting usage and revenue.
- **Rely on flawed assumptions** about risk being transferred to the private sector.
- **Have higher transaction costs** because of complex legal, financial and corporate arrangements.
- **Cost the public more** through new or increased user fees, fares or tolls to use the services or infrastructure.

- **Benefit large corporations** instead of local or regional businesses. Only large corporations have the capacity to enter into P3s.
- **Reduce accountability and transparency** because contracts are protected by commercial confidentiality, leaving the public unable to assess the true costs.

A public plan benefits everyone

Canada's economic stimulus plan must rely on the overwhelming evidence that fully public infrastructure projects provide the most benefit to workers, communities and the economy. The federal government has the fiscal room to provide non-repayable grants or low-cost financing to provinces and municipalities, capitalizing on borrowing costs far lower than those of the private sector.

Infrastructure spending should go toward building or repairing the structures and facilities our communities need, not toward high long-term debt repayment, expensive private maintenance and operations, and unnecessary transaction costs. Privatization is not a wise use of public funds. Cutting out private financiers, corporations and consultants will allow more money to reach communities, not corporate shareholders.

The already-committed $180 billion in federal funding will help address a Canadian infrastructure gap estimated at up to $570 billion.[1] Investing in public projects more than pays for itself. Over the short term, Gross Domestic Product – a key measure of our economic health – rises $1.43 for every dollar of public infrastructure spending. Every million dollars spent creates more than nine jobs.[2] Adding to the benefits of public investment, infrastructure that is built or repaired will strengthen the vital network of structures and facilities that support and enhance our communities in the long term.

Infrastructure stimulus spending must address the ongoing legacy of colonization and underfunding of services and infrastructure for Indigenous peoples. First Nation communities alone face an infrastructure deficit as high as $30 billion including housing, water and wastewater and health facilities.[3] Further, the infrastructure gap affecting Inuit communities requires a major investment in infrastructure such as child care centres and social and transitional housing, in addition to telecommunications infrastructure.[4] Indigenous peoples deserve the same quality public services and infrastructure as everyone else in Canada, including reliable access to clean and safe drinking water. The federal government has an opportunity with stimulus infrastructure spending to address chronic neglect and injustice in Indigenous communities.

The federal government needs to ensure infrastructure stimulus spending gets out the door quickly, addresses shortcomings identified by the COVID-19 pandemic, and positions Canada for the future. Privatization does not meet any of these tests. A public recovery led by the federal government must:

- **Invest in public projects** by providing grants or low-cost public financing for infrastructure projects.
- **Streamline investments** to ensure needed infrastructure spending gets out the door, while ensuring safeguards are in place to ensure communities and equity-seeking groups benefit.
- **Prioritize green investments** that are publicly owned and operated, such as renewable energy.
- **Increase the federal share of project costs** to reflect the fact that provinces, territories and municipalities are under extreme financial pressure.

- **Prioritize social infrastructure** in areas such as child care, long-term care and social housing where a predominantly female workforce has been disproportionately affected by the COVID-19 crisis.

These principles will help ensure post-pandemic infrastructure projects are both ‘shovel-ready’ and ‘shovel-worthy,’ and will strengthen and expand the bedrock of facilities, networks and services that everyone needs during the recovery and beyond.

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[1] Canadian Infrastructure Report Card (2016) “About the project.” Canadian Infrastructure Report Card. Retrieved from http://www.canadinfrastructure.ca/en/about.html.

[2] Broadbent Institute (September 2015) The Economic Benefits of Public Infrastructure Spending in Canada. The Centre for Spatial Economics. Retrieved from http://www.mhca.mb.ca/wp-content/uploads/2010/11/The_Economic_Benefits_of_Public_Infrastructure_Spending_in_Canada.pdf

[3] Indigenous Services Canada (n.d.) Key priority: Reliable infrastructure. Retrieved from https://www.sac-isc.gc.ca/eng/1523817069680/1523817091386?wbdisable=true

[4] Inuit Tapiriit Kanatami (November 2018) Development and Implementation of the Arctic Policy Framework. Retrieved from https://www.itk.ca/wp-content/uploads/2018/11/2018-APFPolicyPositionPaper-FINAL.pdf