

CUPE FACTS

Building Canada Fund 2014 – Less money, more privatization

BACKGROUND

In the 2013 federal budget, the federal government announced an extension of the Building Canada Fund (BCF), with \$14 billion of infrastructure money over 10 years. CUPE's analysis of the 2013 budget showed much of the \$14 billion is actually a funding cut, and much of the money won't be available until after the 2015 federal election.¹ Budget 2013 also didn't outline how municipalities could access the funds. Communities with significant needs for infrastructure funding continue to wait.

Budget 2014 didn't include any new money for the BCF. However, it did include a promise to start making money available by April 1, 2014. Unfortunately, an announcement on February 13, 2014 outlined a major push to privatize and created more questions than answers – all without actually outlining how funds would flow to municipalities and other eligible groups.

Overview:

The eligible recipients under the New Building Canada Fund include:

- A province or territory, or a municipal or regional government;

- A band council within the meaning of section 2 of the Indian Act, or a government or authority established pursuant to a Self Government Agreement or a Comprehensive Land Claim Agreement, given effect and declared valid by federal legislation;

- A public-sector body that is established by or under provincial or territorial statute;

- A private-sector body, including for-profit organizations and not-for-profit organizations;

- A Canada Port Authority, international bridge and/or tunnel authority (unless a federal Crown corporation), or U.S. federal and state-level transportation authority (for border related projects). (National Infrastructure Component only); and,

- Public or not-for-profit post-secondary institutions (Provincial-Territorial Infrastructure Component only).²

The BCF's \$4-billion National Infrastructure Component will no longer be allocated to provinces and territories. Instead, the federal government will allocate it to projects deemed to have federal importance. Projects that are eligible for this fund will be only those with "the greatest" economic impact including:

- Highways and major roads;

- Public transit;

- Rail infrastructure;

- Local and regional airports;

- Port infrastructure;

- Intelligent transportation systems; and,

- Disaster mitigation infrastructure.

Categories under the fund's \$10-billion Provincial-Territorial Infrastructure Component have been changed to place emphasis on projects with "strong economic

benefits". The fund earmarks \$1 billion specifically for small and rural communities. The eligible categories under the Provincial-Territorial Infrastructure Component are:

- Highways and major roads;

- Public transit;

- Drinking water;

- Wastewater;

- Solid waste management;

- Green energy;

- Innovation (post-secondary infrastructure supporting advanced research and teaching);

- Connectivity and broadband;

- Brownfield redevelopment;

- Disaster mitigation infrastructure;

- Local and regional airports;

- Short-line rail;

- Short-sea shipping; and,

- Northern infrastructure (territories only).

In addition to provincial, territorial and municipal governments and their related entities, private-sector bodies (both for-profit and not-for-profit) and Aboriginal entities, the New Building Canada Fund will include recipients that allow the government to fund economically focused. The amendments proposed to the Canada Labour Code in Bill C-525 show that a vote of the majority of all workers covered by the collective agreement is needed to keep the union. This means that non-voting members are counted as voting "No" to the union when ballots are counted.

This is not the standard process across the country. For example, in Ontario, a secret ballot vote is needed after a card signing campaign has concluded. However, the vote would be decided only by a majority of those who voted, not a majority of all members in the bargaining unit. Projects that are

¹ <http://cupe.ca/budget/surprise-budget-2013s-infrastructure>

² <http://www.infrastructure.gc.ca/plan/er-ba-eng.html>

critical to the support of international trade (including rail infrastructure, port infrastructure, and Intelligent Transportation Systems); and projects under the innovation category (post-secondary institutions). For both P3s and private infrastructure the total federal government contribution will be 25 per cent of project costs. This is consistent with the previous BCF.

How much money, and when?

Under the BCF, each province and territory will receive \$250 million plus a per capita amount over 10 years that is calculated based on the 2011 Census.³ The funding framework means there will be a reduction in the annual average funding for most provinces and territories as they will be getting their cash over ten years rather than the seven years the fund's predecessor was spread over.⁴

The BCF will put all infrastructure projects costing more than \$100 million through a screen for P3 eligibility. Projects that meet the criteria for a P3, as decided by the federal crown corporation and P3 promotion agency, PPP Canada, will be moved from the BCF stream into the PPP Canada funding stream. At that point, the only way for a municipality to get federal funding will be to agree to a P3. PPP Canada received an additional \$1.25 billion in funding in 2014, primarily for these projects.

The requirement for a P3 screen on projects over \$100 million takes away from the democratic choice of

a municipality or region. P3s cost more and take longer. Projects with a higher promise of private profit may move to the front of the line. Canadians will have to wait longer for the infrastructure they need.

Changes in how the money can be used also make it harder for communities. In the past, federal money from different sources could be used to make up 50 per cent of project costs. The new rules limit total federal contributions to 33 per cent.⁵

In addition, project categories that used to be funded from the BCF – local roads, culture, tourism, recreation and sport – are now eligible only under the Gas Tax Fund. Small and rural communities that cannot leverage their share of the gas tax will no longer be able to access funds for roads, culture, tourism, sport or recreation.

The federal government has not decided yet what the application process will look like and is intending to consult with provinces and territories before the application release on March 31.

Reaction and analysis:

The Federation of Canadian Municipalities (FCM) initially responded with guarded optimism, placing emphasis on the indexation of the gas tax fund as the real winner and indicating that they are willing to work with the federal government to address the deficiencies in the BCF. They have significant concerns about how the

BCF will be allocated, including money being funnelled away from municipalities and into the private sector, new rules for road funding and the mandatory P3 screening.⁶ The FCM has issued a statement about the BCF's "serious flaws."⁷

The lack of a clear plan for allocation of funds before the BCF announcement has municipal leaders wondering which favoured projects will get funding while less glamorous projects get left on the shelf. Ottawa Mayor Jim Watson has expressed concerns about the delays of a P3 screen, as have other mayors. "[Nenshi] said Calgary will apply for about \$120 million for a proposed dedicated busway to the southeast part of the city. But he isn't expecting a cheque any time soon. P3 projects over \$100 million will have to undergo a screening to ensure taxpayers get their money's worth but the additional step could take between six and 18 months. The challenge is that we'll have to go through that P3 screen and if our experience with P3 Canada is any indication, that can take a really long time."⁸

NDP infrastructure critic Olivia Chow said the federal government could be stronger if it wasn't so afraid to work with others. "For them to just charge out, to impose their so-called criteria ... means that it allows the government to play politics with taxpayers money and that's not acceptable,"⁹ said Chow.

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³http://www.huffingtonpost.ca/2014/02/13/building-canada-fund-harper-infrastructure_n_4783465.html

⁴http://www.huffingtonpost.ca/2014/02/13/building-canada-fund-harper-infrastructure_n_4783465.html

⁵<http://o.canada.com/news/national/cities-say-they-werent-consulted-on-new-federal-infrastructure-funding-rules/>

⁶<http://www.fcm.ca/home/media/news-releases/2014/statement-by-fcm-president-on-the-new-building-canada-fund.htm>

⁷<http://www.fcm.ca/home/media/news-releases/2014/statement-by-fcm-president-on-serious-flaws-in-the-design-of-the-new-building-canada-fund.htm>

⁸<http://o.canada.com/news/national/cities-say-they-werent-consulted-on-new-federal-infrastructure-funding-rules/>

⁹<http://o.canada.com/news/national/cities-say-they-werent-consulted-on-new-federal-infrastructure-funding-rules/>