Federal budget 2008 municipal and infrastructure

What's in the budget?

- Commitment to make the $2 billion gas tax transfer to municipalities permanent
- Incorporation of PPP Canada Inc. to develop and promote P3s
- Up to $500 million for Public Transit Infrastructure to be alloted by province based on population.
- $400 million for Police Recruitment Fund
- Offloading small harbours to local governments

What does it mean for Canadians?

Canadian municipalities and local governments are faced with a climbing $123 billion deficit for water and waste water, transit and transportation, solid-waste management and community, recreational, cultural and social infrastructure. Clearly communities require long term, sustainable funding rather than the funding cuts and downloading by upper levels of government we have seen in the past decade. The Gas Tax Fund, introduced by the Liberals in 2005 as part of New Deals for Cities, provided badly needed funding for municipal infrastructure. Making this transfer permanent is positive, but because it is not indexed to inflation or population growth, its value will decline by about 3% a year – and by about 25% in just seven years. After 2010, federal transfers for infrastructure only grow by about 1.1% a year – below even the rate of inflation. As municipal infrastructure demands increase because of demographic transformation, urban growth, climate changes and aging systems, federal funding jumps into reverse.

Most of the one-time investment of $500 million for public transit is already allocated for our three largest cities where the Conservatives are struggling for votes: Vancouver, Montreal and (Peterborough to) Toronto. Cities large and small are challenged to meet their transportion and transit needs. They will need to scramble if they are to get any crumbs from this pie since funding is only available to the end of this fiscal year. Since the funding is based on provincial and territorial per capita, municipalities will compete with each other and smaller provinces and territories will likely be out of the transit lottery all together.

This budget continues a government agenda to champion the corporate sector, not only through major corporate tax slashing, but also in providing big profit opportunities through the privatization of municipal infrastructure projects. Despite the overwhelming evidence that public-private partnerships are more expensive and risky, less effective and unaccountable, the new P3 Canada Inc. will promote privatization, facilitate corporate sector investments in infrastructure supported by a $1.25 billion P3 fund, divest public assets and handover public stewardship to privateers. Set up as a Crown Corporation it will operate at armslength from government under the direction of a political appointee.

The $400 million police recruitment fund is inconsistent with this government's repeated mantra to focus on core responsibilities- police services are municipal entities funded by provincial governments. This budget provides specifically for recruitment thus will not permanently fund any extra positions and municipalities will be left to foot the bill. Realistically, these revenues will only support recruitment for positions already planned for in community police services budgets, and offer no added value to municipalities over the long term.

In this budget the governments has announced divestments of large numbers of small craft harbours across the country to municipalities, non-profit organizations and First Nations. The federal government provided on-going subsidies, perhaps inadequately, since $10 million dollars over two years has been allocated to get harbours sale-ready. These transfers are nothing more than downloading of services to the community. The withdrawl of funding will put more financial pressure on local governments, require increased user fees to sustain operations or lead to more privatization of important public assets.

What choices did this government not make?

This government did not invest in Canadian communities. They did not create a plan that would allow for permanent, stable and sustainable sources of revenue for cities and towns to eliminate the municipal infrastructure deficit and reduce their reliance on regressive property taxes. Rather than cutting the GST to 5%, city mayors asked Harper for 1% of the tax annually for infrastructure funding, or $6 billion per year. Their calls were ignored for a third Conservative budget.

Rather than alleviating the infrastructure crisis the government opted to continue to cash-starve municipalities, and to pressure toward privatization of public services. A comprehensive body of evidence from around the globe clearly demonstrates that P3s do not work for citizens, for communities, for the environment, for the economy and for democracy.

This budget could have supported public solutions. The government could have honoured their core responsibility as public stewards. Leadership and vision are desperately needed to create sound and inclusive social and fiscal policy. No Affordable Housing Strategy, no Poverty Reduction Strategy, no Transit and Transportation Strategy, no Water Strategy…the Harper government opted out.

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