

How should Ottawa prioritize public infrastructure?

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As the federal election campaign nears its end, the Conference Board of Canada concludes its series of primers for Globe readers on the top economic and social issues our next federal government must address.

No economy can achieve its full potential unless people can get to work and goods can reach their markets with ease. Investment in infrastructure has appropriately been given a higher profile in the federal election campaign and in the recent Globe and Mail debate on the economy. So what's the best federal role?

Canada underinvested in public infrastructure for decades and is now in catch-up mode. Moreover, with population growth and shifting patterns of urbanization, regional expansion and international trade, the demand for high-quality infrastructure increases every year.

Investment in infrastructure offers a good payback from public spending, particularly if the projects are addressing priority needs. In general, each dollar invested in infrastructure will lift GDP by more than a dollar. Thus, infrastructure investment can be an effective form of short-term fiscal stimulus when and if required – but more importantly, it is a long-term structural necessity.

How big is the infrastructure need now and in the future?

The Federation of Canadian Municipalities has estimated the replacement cost to bring municipal drinking water, waste water, storm water and road infrastructure to a “good” standard is \$172-billion. This does not include public transit investment or national and regional infrastructure priorities such as border crossings, ports and power distribution. Some regions, such as the North, are in need of special attention.

How can the federal government best show leadership?

First, by promoting alignment and co-ordination among the three levels of government. Governments must work together to address the right needs in the right way – recognizing that often some of the investments with the highest returns can be the most controversial or the least

visible. Strong cities, in particular, help build a strong national economy, so there is a federal role in building city and regional infrastructure, notably for public transportation, roads and bridges. But most cities have lacked sufficient provincial and federal support for public infrastructure, and few have revenues that grow in line with the economy. A greater allocation of federal and provincial government resources to cities is one part of the answer.

Second, by developing and implementing a multiyear plan. Public infrastructure is not just a quick fix with “shovel-ready” projects – as when the economy is in recession. Projects should be prioritized within a transparent, “evergreen” multiyear plan and proceed as funding is made available. Priority projects should be identified based on their economic merit with a clear return, as well as immediate need.

And third, by demonstrating innovation in mobilizing the financing. In the years ahead, the federal government should expect to have more fiscal capacity for new initiatives than provinces, which have lead responsibility for funding and delivering health care in particular. At a minimum, multiyear investment funding should be protected within the federal budget in the face of inevitable strains on operating budgets.

But there is considerable room for innovation in how infrastructure investment is financed. A variety of innovative approaches, including private-public partnerships or even a pan-Canadian infrastructure bank, can create infrastructure financing alternatives that shift the burden away from current on-budget spending. The private sector is able to share the risks, responsibilities and opportunities.

Canada’s need for modern public infrastructure is not going away. All three levels of government should be taking advantage of low long-term interest rates while they last to begin funding an ambitious, innovative public-sector capital investment program. And additional revenue sources to support infrastructure should be open to consideration – including improved and appropriate pricing of services such as water and sewage, road congestion charges and putting a price on greenhouse gas emissions.

It’s time for some pan-Canadian innovation on public infrastructure. We need to fully understand the plans of each of the candidates and how they intend to proceed. To what degree and how do they wish to fund public infrastructure? How will they ensure targeting, planning and co-ordination among all levels of government?