



The Benefits of Infrastructure Investment

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Executive Summary

Infrastructure is an investment – not an expense. It is an investment in the economic, social and environmental prosperity of this country. ACEC applauds the commitment by all parties to support infrastructure renewal.

The recent investments made possible by the Building Canada Fund and the Economic Action Plan have demonstrated how investing in infrastructure has significantly strengthened Canada's economy. While all levels of government have roles and responsibilities for Canada's infrastructure, the federal government's leadership has played an important role in the success of these programs. These programs were particularly important in helping to address the significant decrease in infrastructure investment since the 1960s.

ACEC recommends that the federal government begin work immediately to develop a national, long-term infrastructure plan. The resulting strategy could be executed in 2014 when the budget is expected to be balanced and as the Building Canada Fund is scheduled to expire. This will allow future investments to have the most meaningful and cost-effective benefits for Canadians.

Introduction

ACEC represents companies in Canada that provide professional engineering services to both public and private-sector clients. These services include the planning, design and execution of all types of engineering projects, as well as providing independent advice and expertise in a wide range of engineering and engineering-related fields. Through offering these services, ACEC member companies have a direct influence on virtually every aspect of our economic, social and environmental quality of life in Canada.

ACEC applauds the government's recognition of the importance of public infrastructure to Canada's quality of life and economic well-being. We wish to commend all the parties for their commitments during the recent election to work with all levels of government and the infrastructure stakeholder community to develop a long-term plan.

ACEC also appreciates the spending and tax constraints within which the federal government currently finds itself. It is also mindful that the government has committed to achieving a balanced budget by 2014. The time period between 2011 and 2014 could be wisely spent by prioritizing the country's infrastructure needs and developing a plan for future investments.

ACEC is prepared to work with the government and other stakeholders in the creation of a long-term plan that will promote a sustained economic recovery, create quality sustainable jobs and contribute to future balanced budgets.

Recommendation

ACEC recommends that the federal government begin to work immediately on the development of a national, long-term infrastructure plan in accordance with the commitments made by all parties during the last election. We further recommend that the government work with its stakeholders to set priorities, identify clear objectives, establish the roles and responsibilities of all partners, and to measure the return on investment. Work on this plan should begin during the 2011-2012 fiscal year for roll-out to be executed in 2014 when the budget is expected to be balanced and as the Building Canada Fund is scheduled to expire.

ACEC recommends that the following should be included as key features of a sustainable, long-term plan:

- An assessment of current infrastructure needs, taking into account the condition of current infrastructure, changing needs, adaptation to climate change, and population growth;
- A determination of new infrastructure requirements;
- A robust prioritization and sequencing of projects and programs;
- Clearly defined roles and responsibilities for each level of government (needs assessment, planning, investment, operations and maintenance);
- Realistic timetables that balance the long-term urgency of infrastructure investment with current fiscal pressures;
- Adoption of sound asset management practices to quantify and preserve the condition and remaining service life of existing infrastructure;
- A regular reassessment of infrastructure needs and forward planning so that governments, public agencies and private firms can allocate resources to plan, finance, design and construct infrastructure projects on an ongoing basis; and
- A regular evaluation of progress and return on investment.

Rationale and Benefits

Infrastructure is an investment – not an expense. It is an investment in the long-term economic prosperity of this country. A national infrastructure plan will:

- promote a sustained economic recovery in Canada by eliminating the economic costs of the ongoing infrastructure gap;
- create quality sustainable jobs in multiple sectors, including Canada's design, technology and construction industries; and
- contribute to future balanced budgets by reducing the cost of infrastructure projects and maximizing the economic benefits of these investments.

The recent infrastructure investments made possible by the Building Canada Fund and the Economic Action Plan were clearly helpful and ACEC applauds the federal government for this wise expenditure.

Studies conducted by TD Financial Group, (*Mind the Gap: Finding Money to Upgrade Canada's Aging Infrastructure*) and the Residential and Civil Construction Alliance of Ontario (*Public Infrastructure Underinvestment: The Risk to*

Canada's Economic Growth) conclude that infrastructure investment in Canada has significantly declined since the 1960s making the commitment to a long-term plan both necessary and timely.

Creating Economic Growth and Jobs

A national, long-term infrastructure plan can **promote a sustained economic recovery** in Canada by **creating quality sustainable jobs in multiple sectors** including Canada's design, technology and construction industries. In March 2010, the Conference Board of Canada, in its series of reports, *Lessons from the Recession and Financial Crisis*, concluded that of all fiscal stimulus measures, infrastructure investment has had the largest impact on economic growth. This conclusion not only validates the government's stimulus spending on infrastructure, but also demonstrates the ongoing value of infrastructure investment to Canada's economic health and prosperity.

Conversely, a study by the Residential and Civil Construction Alliance of Ontario (RCCAO) predicts that if governments underinvest in infrastructure, it will cost the Canadian economy 1.1% of real GDP growth annually and reduce the long-term profitability of Canadian businesses by an average of 20%. A national, long-term infrastructure plan will help to maximize the return on investments in infrastructure, while creating quality sustainable jobs across the country.

Balancing the Budget

A sound infrastructure investment is sustainable and predictable. These qualities **will contribute to future balanced budgets by reducing the cost of infrastructure projects and maximizing the economic benefits of these investments**. The forces of supply and demand impose higher costs when a large number of projects have to be completed within a short timeframe. A long-term plan can reduce the costs of individual infrastructure projects by providing a reliable and sustainable rate of investment over a longer period of time. Short-term programs also tend to produce low-complexity projects that can be completed within a short timeframe. These are not necessarily the projects with the most strategic or sustainable economic value. Research by the Federation of Canadian Municipalities demonstrates that infrastructure investment costs rise over time. The cost of repairing a road crack can rise from \$1 a linear metre for crack filling to \$15 for resurfacing, to \$45 for rebuilding – all within a period of five to ten years. A long-term plan can rationalize investment decisions by directing infrastructure resources where they will produce the greatest benefit and create the greatest savings. In short, a long-term infrastructure plan will contribute to achieving balanced budgets for the future by reducing the costs of delivering infrastructure projects, and maximizing the economic benefits of these investments.

Enhancing Public Safety

In addition to its economic role, well-maintained infrastructure is a fundamental prerequisite for safe communities. Canadians depend on having safe, reliable transportation and secure, clean drinking water to support our quality of life. Underinvestment in infrastructure has the potential to compromise the safety and security of these public works. A long-term plan can address these risks and ensure that Canadians can depend on the safety, security and reliability of the public infrastructure that they use every day.

Conclusion

Previous federal budgets note that “Canada’s quality of life and economic competitiveness depend in part on having reliable, efficient infrastructure.” ACEC applauds the commitment by all parties to support infrastructure renewal. We recommend that parliament and the federal government begin work immediately to develop a national, long-term infrastructure plan. The resulting strategy could be executed in 2014 when the budget is expected to be balanced and as the Building Canada Fund is scheduled to expire. This will allow future investments to have the most meaningful impact on the country’s infrastructure deficit. ACEC hopes that the federal government and the Parliament of Canada will seize this opportunity to promote a sustained economic recovery, create quality sustainable jobs and contribute to future balanced budgets.

About ACEC - Canada

Founded in 1925, ACEC represents nearly 500 independent consulting engineering companies, and 12 provincial and territorial Member Organizations. Consulting engineering in Canada is a \$21.4 billion a year industry that employs more than 100,000 Canadians. Canada is globally recognized for its engineering services and is the fifth largest exporter of engineering services in the world with 30% of its work performed at the international level.

ACEC advocates for a business and regulatory climate that allows its members to provide the highest level of services and the best possible value to their clients. Moreover, as part of a regulated profession, the engineers employed by ACEC companies are obligated by law to act with fidelity to the public interest.

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