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THE CASE FOR INFRASTRUCTURE INVESTMENT

Introduction

- Historically, communities came into existence for three basic reasons which continue to be core areas of interest to government:
 - Security
 - Commerce
 - Infrastructure
- Infrastructure is an investment that:
 - Enables economic activity
 - Connects people and communities
 - Ensures public health and safety
 - Protects the environment
- Over the past 10 years, numerous studies have been made of the state of infrastructure investment in Canada and the impact of infrastructure on the economy.
- Recent investments are welcome and helpful, but there is much more to do.

Recommendation

ACEC recommends that part of any future surplus be dedicated to infrastructure with a long-term goal that investments by all three levels of government total 6% of GDP.

The Evidence

Canadian Infrastructure Report Card Federation of Canadian Municipalities et al., 2016

- Approximately 30% of municipal infrastructure ranked “fair” to “very poor”
- Replacement cost of these assets totals \$905 billion nationally:
 - \$330 billion for roads
 - \$234 billion for wastewater
 - \$207 billion for drinking water
 - \$134 billion for stormwater
- Most infrastructure (even if in “good” to “very good” condition now) will require ever-increasing investment as it ages
- These conclusions are likely optimistic since many municipalities do not have strong asset management processes and the state of much infrastructure is unknown

Levelling the Playing Field: Supporting Mineral Exploration and Mining in Remote and Northern Canada

Mining Association of Canada, Prospectors and Developers Association of Canada, Association of Consulting Engineering Companies – Canada et al., 2015

- The high cost to explore and build new mines in remote and northern regions of Canada, largely as a result of a lack of critical infrastructure, is holding back exploration and mining development in Canada's territories and northern regions of the provinces.
- For base metal mines, capital costs were 2.5 times higher compared to an equivalent mine in a centrally-located jurisdiction
- For gold mines, capital costs were doubly more expensive
- For diamond mines in the territories, capital costs were 15-20% higher
- 70% of the cost increase is directly related to the lack of infrastructure
- Exploration costs varied directly with distance from transportation infrastructure, with the most remote project costing six times that of the least remote project

At the Intersection: The Case for Sustained and Strategic Public Infrastructure Investment **Canada West Foundation, 2013**

- Sustained investment is essential to maintaining Canada's future prosperity and quality of life
- Investments in infrastructure increase productivity
- Highest economic and social returns on investment occur with strategic investment
- The time to make critical investments in Canada's infrastructure is NOW
- Recommendations from *At the Intersection: The Case for Sustained and Strategic Public Infrastructure Investment*
 - Continue sustained and strategic investments
 - Give priority to infrastructure that enhances economic performance
 - Encourage innovative approaches to the design of public infrastructure
 - Invest in renewing existing infrastructure
 - Analyze and evaluate investments and apply lessons to future investments

Lessons from the Recession and Financial Crisis **Conference Board of Canada, 2010**

- "Of all the fiscal stimulus measures, infrastructure spending has the largest impact on economic growth"
- Every dollar spent on infrastructure increased GDP by as much as \$1.20

Public Infrastructure Underinvestment: The Risk to Canada's Economic Growth **Residential and Civil Construction Alliance of Ontario, 2010**

- Investment declined from 6% to approximately 3% of GDP since the 1960s
- Infrastructure underinvestment will cost the Canadian economy 1.1% of real GDP annually over the next 50 years
- Underinvestment will reduce the long-term profitability of Canadian businesses by an average of 20%

Mind the Gap: Finding Money to Upgrade Canada's Aging Infrastructure TD Bank Financial Group, 2004

- 50% decline in annual government per capita capital investment (1962-2003)
- Investment shortfall calculated to be \$125 billion in 2004

The Current Situation

Recent Federal Infrastructure Investment

- In response to the 1991 recession, several national infrastructure programs were created
- Programs were expanded resulting in some \$50 billion in new funding from 2000-present
- 2008 recession prompted an additional \$6 billion for economic stimulus
- New Building Canada Plan commits \$53 billion over 10 years from 2014-2024 (see below)

New Building Canada Plan, 2014

- New Building Canada Fund of \$14 billion over 10 years for new major economic projects
- Gas Tax Fund of \$21.8 billion over 10 years, including indexing of payments at 2% per year
- GST Rebate for Municipalities of \$10.4 billion over 10 years (though the rebate does not require the funds to be invested in infrastructure)
- PPP Canada Fund of \$1.25 billion over 5 years (projects of more than \$100 million will be subject to a PPP screen)
- \$6 billion committed under current programs

How does Canada Compare to other Jurisdictions?

- Since 2006 infrastructure investment in Canada has averaged 3.4% of GDP, up from 2.5% from 2001-2006
- However, even with the recent government programs and initiatives, investments are significantly lower than 6% of GDP in the 1950s and 1960s
- Canada's infrastructure investments are in the "middle of the pack" as compared to other OECD countries
- Some of Canada's major economic competitors such as China and India invest as much as 9% of GDP towards infrastructure

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