

HIGHLIGHTS: *THE URBAN INFRASTRUCTURE CHALLENGE IN CANADA: PERCEPTIONS AND REALITIES* – REPORT BY ALTUS CLAYTON

Scope of the Report

This report by the noted economic consultants Altus Clayton addresses the definition of “basic urban infrastructure”, the importance of infrastructure investment for housing affordability and choice, the roles of different investors in financing basic infrastructure, and feasible options for funding such infrastructure.

Key Findings

- The most important infrastructure for both the future economic well-being and the quality of life of Canadians is “basic urban infrastructure”, also called “core infrastructure”. It includes: roads and bridges; public transit; water supply and sewerage collection and treatment systems.
- Other types of facilities are often lumped into the “infrastructure” category, such as recreational and cultural centres. These are more appropriately called “amenities”. They are important, but can and should be financed differently when it comes to sources and applications of government funding.
- Because “core infrastructure” is not glamorous, it may receive less public attention and priority than amenities. Yet, if and when this infrastructure fails, people’s lives, health and property are all put at risk, as in the cases of the contaminated Walkerton water supply, the fallen Montreal highway overpass, and the collapsed Minneapolis bridge.
- Contrary to conventional wisdom, municipalities actually cover only a small proportion of the total annual investment, in the order of 21 percent. The private sector through various means currently covers 36 percent. The federal and provincial governments together cover 43 percent. Property tax revenues compose about half of municipal revenues, so property taxpayers may contribute as little as 10-11 percent of local infrastructure costs, depending on the municipality.
- A gap in core infrastructure funding across Canada arose during the 1980s, and has resulted in deterioration of a significant proportion of the facilities that people rely on daily. Throughout the 1990s, public investment did not keep up with the demands of a growing population.
- In recent years, the difference between needed investment in basic infrastructure and what is being constructed has been narrowing. This is partly the result of the federal government returning to this field, plus additional contributions from provincial governments.

- A major contributor has also been dramatic increases in charges levied by municipalities on new home buyers through “Development Cost Charges” as well as other taxes, fees, levies and charges. These reduce housing affordability and choice in the community.

Conclusions

- The overall quality, service life and performance of basic urban infrastructure can be raised over time if annual and long-term investment are better aligned with requirements, and if this type of infrastructure receives the priority attention it deserves.
- To ensure adequate levels of infrastructure investment while increasing housing affordability and choice, both users and property tax payers will need to pay more of the real costs of the infrastructure from which they are benefiting. This increased share of the burden can be made manageable through a combination of:
 - Long-term financing techniques; and
 - Increased emphasis on user-pay principles.

An important further implication of the Altus Clayton report is that provincial governments should take over the full costs of social services and programs from municipalities. Local property tax revenues should then be able to cover much more of the cost of building and maintaining services to property, including basic urban infrastructure. The provincial and federal governments have the kind of progressive tax base that should be used to pay for income support programs. The property tax base is not appropriate for this purpose.

In addition, the need for the home building industry to be more fully engaged in long-term planning and budgeting for infrastructure comes through loud and clear in this report... after all, they are the largest single investor, even if the results of their efforts are ultimately transferred to municipal ownership and management.

For a copy of the full report, please contact the Executive Officer at: [contact information]