

## Canada's Cities and Communities: Ready to Create Jobs and Fight the Recession

### *Infrastructure: Our Best Stimulus Tool*

Governments around the world are tackling the global economic crisis with major new infrastructure investments. The G-20 has committed to invest two per cent of gross domestic product (GDP) in stimulus measures, including infrastructure spending. Leading economists and global leaders agree that new investments in infrastructure must be the cornerstone of any credible stimulus package. Canada must also include increased infrastructure investments as part of its economic recovery plan.

New infrastructure investments can be made rapidly and responsibly, while delivering lasting economic, environmental, and social benefits. These investments can deliver the immediate boost our economy needs, without courting long-term, "structural" deficits. What is needed is an enhanced, short-term infrastructure program designed to kick-start a national stimulus plan this spring.

A snapshot survey of our members produced hundreds of shovel-ready projects across the country. This is just the tip of the iceberg. With new funding, municipalities could put more than 100,000 Canadians to work starting this year.

### *Job losses mount, needs grow*

Statistics Canada reports that over 44,000 construction workers lost their jobs in December 2008. The construction and engineering industries report a sharp drop-off in work orders in 2009, suggesting that job losses will get much worse. The projected slowdown in the housing construction sector will translate into a loss of 150,000 person-years of employment in 2009. These job losses have a human cost to the families affected, and an economic cost to the federal government in the form of sharply increased employment insurance payments and reduced tax revenues. The need and the capacity is there to absorb and benefit from new investments in infrastructure.

### *Municipalities ready to create jobs*

With new funding, municipalities across the country can put thousands of Canadians to work on shovel-ready projects, from water main repairs to light-rail expansions. Some of these are new facilities already in the planning pipeline. But many of these are simple-to-plan, nuts and bolts repair and rehabilitation projects that don't receive funding from large-scale programs like the federal Building Canada Fund (BCF).

What's required now is the political will to flow money quickly to cities and communities so more of these fast track projects can get underway this spring. But time is running out — the government must start flowing funds in the January 27, 2009, federal budget. Canadians want more than ribbon cutting. They want a strong, sensible response to a global economic crisis.

### *Recommendations*

1. Make job creation the key policy objective of a new short-term infrastructure program targeting shovel-ready projects;
2. Use the Gas Tax Fund (GTF) model to flow money quickly to municipal projects while still ensuring accountability;
3. Cut red tape to accelerate major new projects;
4. Expand soon-to-expire capital funding for public transit and affordable housing; and
5. Protect and accelerate funding for smaller urban, rural and northern communities.

*"There is also broad support for increased infrastructure spending as part of the stimulus package, but for spending on projects that are "shovel ready," that do not require years of planning, environmental assessments and zoning approvals. This means putting new infrastructure funds into the hands of municipal governments who are perpetually shovel ready but cash poor."*

– Dr. Roger Gibbins, Canada West Foundation

### *Principles for Federal Action*

#### **1. Make jobs the priority**

Each \$1 billion invested in new infrastructure creates more than 11,000 jobs — more than twice as many as an equivalent tax cut. A significant number of new infrastructure projects must get underway during the 2009 construction season in order to offset a recession. Any counter-cyclical infrastructure program should have job creation as one of its key policy objectives.

#### **2. Use the gas tax model: fast, tested, accountable**

The most efficient and effective federal funding program is the GTF, which empowers communities to start work quickly on clearly established infrastructure priorities. The GTF flows money to cities and communities on a per capita basis. Municipalities must then invest these dollars in accordance with clear eligibility criteria, guided by established, federally-approved capital investment plans.

The GTF contains simple but strong accountability mechanisms that have been approved by both Treasury Board and the provinces and territories and used by municipalities for several years. The GTF is effective and efficient, ensuring accountability without a cumbersome, upfront application process.



### 3. Get shovels into the ground in 2009

The construction phase of an infrastructure project creates most of the jobs, so getting shovels into the ground quickly is crucial to offsetting a slowdown.

Application-based programs, like the BCF, have traditionally been used to fund major new infrastructure projects that can take years of planning. These projects are often crucially important, and where planning is underway, they should be accelerated.

Efforts to streamline the BCF are needed and welcome, but on its own the program will not deliver significant stimulus in 2009. To create new jobs quickly we need to invest significant additional funds in shovel-ready projects, many of which will be simple-to-plan repair and rehabilitation projects.

Many small and mid-sized rehabilitation projects do not qualify for BCF funding, but many could be undertaken this year with new money. These projects often use existing infrastructure footprints and do not require lengthy environmental assessments or public consultation. Funding these smaller projects would create tens of thousands of jobs next year and trim the \$123-billion municipal infrastructure deficit.

### 4. Invest in public transit and affordable housing

Public transit systems provide an affordable transportation option for commuters. They also help to reduce greenhouse gas emissions and relieve traffic gridlock. But federal funding for public transit through the Public Transit Capital Trust will expire in 2009. Maintaining this funding will protect our public transit investments. Expanding it will create construction jobs and pump money into the economy. Allowing this funding to expire will pull valuable infrastructure dollars out of the economy, when the federal government is attempting to inject stimulus.

In addition, thousands of units of social housing are in urgent need of repair, modernization and energy-efficiency upgrading. Funding this repair and modernization would create construction jobs, and increase demand for building materials, providing stimulus while benefitting families in need of housing support. The federal government must immediately accelerate and expand federal affordable housing programs.

### 5. Smaller communities must not be ignored

Smaller communities, whether urban, rural or northern, must not be ignored. They need new jobs to weather a recession and new and upgraded infrastructure to survive and compete. The BCF funding set aside for smaller cities and communities must be protected, the number of projects increased and the application review process expedited. Increased capital funding for small airports will help communities protect jobs, maintain tourism, and stay connected to the national economy. Finally, the federal government's promise to deliver high-speed Internet service to rural, remote and northern communities must be kept.

## Conclusion

At a time when governments in Canada are struggling to deal with the twin challenges of recession and creeping budget deficits, infrastructure spending stands apart from other policy options available to them.

In October 2008, FCM released a study showing that spending \$1 billion upgrading roads, bridges and water mains would create more jobs and provide a greater economic stimulus than a \$2-billion tax cut. It showed that spending infrastructure dollars already in the federal pipeline would provide the economy with "recession immunization." What is needed now is for the federal government to get infrastructure dollars moving to projects immediately.

Our recommendations are prudent, practical and fiscally responsible, but they require prompt action. Municipalities are ready to do their part to help the Government of Canada give the economy a booster shot that will rebuild our infrastructure and create new jobs during a recession.

## Key Facts and Figures

### The global response

- President-elect Obama's economic team is currently hammering out the details of what the president-elect has described as a two-year economic recovery plan intended to create 2.5 million jobs. Estimates for how much might be spent on a multi-year stimulus package range as high as \$500 billion to \$700 billion. At the center of the plan are investments in the nation's roads, bridges, schools, tunnels, ports and alternative-energy infrastructure.
- Motivated by growing alarm of an unexpectedly sharp downturn in the country's fast-growing economy that raised the threat of job losses and social unrest, China unveiled a stimulus package. Much of the \$586 billion China recently announced will go toward building highways, railroads and airports.
- In October, Australia's Prime Minister Kevin Rudd unveiled an AUS\$10.1 billion stimulus package which included substantial spending on infrastructure. In November, the Prime Minister added a second round of stimulus worth AUS\$300 million focused almost wholly on infrastructure.
- The European Commission is planning a 130-billion-euro (US \$163-billion) economic stimulus program that represents one per cent of gross domestic product (GDP) for each member state. Part of this package will include new investments in infrastructure projects.

### Infrastructure: A recession fighter

- Each \$1 billion invested in new infrastructure creates more than 11,000 total jobs, including 5,500 new jobs in the slowing construction sector.
- Last year, local infrastructure investments employed 190,000 Canadians and contributed 2.1 per cent of the national GDP.
- \$1 dollar spent on infrastructure creates more jobs and a bigger economic boost than a \$2 tax cut.
- Infrastructure spending keeps money in the Canadian economy and increases demand for Canadian-produced construction materials.
- For each dollar they invest, federal and provincial/territorial governments receive a total of 35 cents in increased income and sales tax revenues and related savings.

### Longer-term benefits to the economy...

- Accelerated infrastructure investments not only create economic stimulus, but improve roads, bridges and other infrastructure vital to economic performance.
- Traffic congestion alone costs the Canadian economy \$3.7 billion per year in delays.
- A \$1 investment in public infrastructure generates approximately 17 cents in private sector cost savings.

### ...and the environment

- Canada's aging public transit system presents opportunities to replace inefficient modes with cleaner and more efficient technologies (such as light rail transit (LRTs) and articulated buses) and fuels (such as biofuel, natural gas or hydrogen).
- There is a major need to rehabilitate water and sewage infrastructure, especially in larger, older cities, such as Montreal, where 33 per cent of water-distribution pipes reached the end of their service lives in 2002.

### The municipal infrastructure deficit

- The most recent estimate places the municipal infrastructure deficit at \$123 billion on existing infrastructure, with a further \$115-billion deficit estimated to build new infrastructure to service population and economic growth.
- Like a fiscal deficit, a deficit in life-cycle maintenance is subject to the unforgiving logic of compounding. For example, the cost of repairing a road crack can go from \$1 a linear metre for crack filing, to \$15 for resurfacing, to \$45 for rebuilding, all within a period of five to 10 years.