

### **Introduction**

Canada's rural communities are essential to the country's economic, social and environmental well-being and the health of Canada's urban communities is directly related to the vibrancy of our rural regions. Despite this important role, many local governments in rural Canada face formidable challenges, including providing adequate public infrastructure — such as roads, bridges, drinking water and public amenities — with limited revenues and financial capacity. The federal government can play a key role in supporting strategies to reverse this trend by avoiding a one-size-fits-all approach and recognizing rural communities' unique challenges and opportunities.

Local governments in rural Canada recognize that strategies to eliminate barriers to economic development must be accompanied by new and innovative approaches to attract people to rural communities. To attract the talent and skills necessary to sustain vibrant local economies, these communities must become attractive to young people and newcomers through investments in affordable housing, broadband networks, and newcomer services.

FCM's Rural Forum was established in 2001 with a mandate to advocate for rural communities and provide municipal governments in rural areas with greater access to FCM. The Rural Forum comprises FCM member municipalities that are located in rural areas and urban communities with rural areas or a significant rural interest.

In 2009, FCM released a report on rural issues called *Wake-Up Call: The National Vision and Voice We Need for Rural Canada*. The report set out several recommendations for the Government of Canada which remain relevant in terms of helping to equip rural Canada to meet its economic, social and environmental challenges:

- Rural communities need a long-term national plan with enduring commitments by the Government of Canada to ensure their priorities receive the sustained attention and resources needed to solve deep-rooted problems and implement long-term strategies.
- A “one-size-fits-all” approach to rural policy will not work; solutions to rural problems must reflect rural Canada's diversity.
- The Government of Canada must provide appropriate departmental structures, mandates and resources to support an enduring, horizontal, collaborative and well-resourced commitment to building and sustaining rural Canada.
- A vision and strategy for rural sustainability must be developed across departments and in partnership with the three orders of government, industry and community groups.

### **Key Principles**

#### **Rural Canada Drives National Prosperity**

Rural communities make significant contributions to Canada's economic growth. Rural areas supply food, water and energy for rapidly growing urban centres and sustain industries that contribute to Canada's economic prosperity. Rural communities also provide important recreational opportunities for urban Canadians and for foreign visitors.

#### **Building Community Capacity**

Programs that succeed in urban communities will not necessarily work in rural communities, which have different capacities. Building community capacity involves strengthening the skills of individuals and community groups so they can help develop their communities. Programs to strengthen the capacity of

rural communities must build on community priorities and offer variety and flexibility. Although funding is important, capacity-building cannot succeed without the necessary tools and expertise.

### **Creating Sustainable Rural Communities**

Canada's three orders of government must work together to promote sustainable rural communities by building on each community's economic, social, environmental and cultural foundations. Strong, responsible municipal governments can play a key role in this process by facilitating long-term planning and coordination among governments.

### **Increasing Education, Awareness and Knowledge**

Rural municipal governments generally do not have the same resources and expertise as their urban counterparts. By working together, these governments can gain greater access to information and resources. The Rural Forum will work to improve communication among rural communities and support the need for research on rural sustainability and contemporary rural issues.

### **Strengthening the Federal Government's Capacity to Address Rural Issues**

There is increasing concern among rural communities regarding the federal government's capacity to respond to rural challenges and concerns. FCM is calling for a permanent mechanism responsible for ensuring rural issues are considered across all federal departments and by the federal Cabinet.

## **FCM Policies**

### **INFRASTRUCTURE FOR RURAL COMMUNITIES**

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*Rural municipalities face formidable challenges in providing critical public infrastructure, such as roads, bridges and drinking water, due to their limited financial capacity, which will continue to shrink if rural populations decline. FCM is calling on the Government of Canada to continue working with municipal and provincial/territorial governments to ensure that all communities, including those in rural areas, receive a fair and predictable share of new federal infrastructure investments.*

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Rural communities are essential to Canada's prosperity, generating 30 per cent of national GDP in sectors like agriculture, manufacturing, transport and tourism — and significantly more in some provinces. But with limited fiscal capacity, rural governments face formidable challenges providing the infrastructure that sustains local economies and ways of life — in ways that retain talented youth and attract newcomers. Programs and strategies to reverse this trend must avoid a one-size-fits-all approach by recognizing rural communities' unique challenges and opportunities.

Beyond traditional infrastructure, successful economic development also requires social and cultural infrastructure, such as libraries, parks, post offices and community centres, both to improve quality of life in rural communities and to make them attractive to new residents. Although roads and bridges encourage people to visit rural communities, quality of life will convince them to stay. In particular, FCM continues to call on the federal government to uphold the Canadian Postal Service Charter and the moratorium on rural post office closures.

The lack of adequate infrastructure to support the delivery of health services is a serious impediment to rural economic development. Major barriers to health care in rural communities include their distance from health services, a local shortage of healthcare professionals, and the lack of communications infrastructure to support telehealth services. Health care is not generally a municipal responsibility, but the level of available health services affects the community's ability to attract people and businesses, making it a municipal concern.

The federal government has provided billions of dollars in infrastructure funding to communities, including rural communities, over the past 15 years. In 2013, the Government of Canada launched the Small Communities Fund (SCF) as part of the New Building Canada Plan. The \$1-billion fund provides dedicated infrastructure funding for communities with less than 100,000 residents.

In recent years, FCM advocated for distinct support for rural, northern and remote infrastructure needs not addressed elsewhere in Phase 2 of the long-term infrastructure plan announced in Budget 2016. In November 2016, the government responded by announcing a \$2 billion, 11-year fund that will support better roads and bridges, water and wastewater treatment and a full range of rural transportation needs.

However, apart from the GST refund to municipal governments and the permanent and indexed Gas Tax Fund, federal funding programs remain short term and ad hoc. For rural communities to plan and build for sustained prosperity and growth, long-term funding for rural infrastructure must be protected and expanded.

### ***Rural Infrastructure Funding***

Despite the critical importance of infrastructure to rural communities, many rural municipal governments with limited tax bases have difficulty meeting their infrastructure needs. FCM is calling on the Government of Canada to continue working with municipal and provincial/territorial governments to ensure that all communities, including those in rural areas, receive a fair and predictable share of new federal infrastructure investment.

Municipalities need long-term predictable funding so that they can make long-term plans to repair and replace aging infrastructure over a 15 to 20 year timeframe. This time-frame will give rural and other municipalities predictable funding on which to base their long-term asset management plans and capital budgets.

### ***Small Communities Fund of the New Building Canada Fund***

FCM proposes streamlining the dedicated Small Communities Fund (SCF) of the New Building Canada Fund to ensure that small, rural and remote communities can access the funds efficiently and fairly, in particular for roads and bridges. The population threshold for applying to the SCF for funding should be lowered to below 100,000, so that the program is fully invested in small, rural and remote communities, with an appropriate threshold for each province/territory to be determined through consultation between provinces/territories and provincial/territorial municipal associations.

### ***Phase 2 Infrastructure Programs***

#### ***New Rural and Northern Infrastructure Fund***

FCM looks forward to working with Infrastructure Canada to confirm the program details for the \$2 billion, 11-year fund for rural and northern infrastructure announced in the 2016 Fall Economic Statement, including eligible projects and the process for project selection. In particular, FCM is requesting that this new fund support the local capital priorities of rural communities — including roads and bridges, water and wastewater treatment, septic system upgrades and the full range of transportation and mobility needs in rural areas. It will be particularly important that this dedicated funding supports investments in local roads and bridges which make up the greatest share of infrastructure spending in rural areas.

Many local governments in rural Canada face formidable challenges, including having to provide adequate public infrastructure with limited revenues and financial capacity. The federal government can play a key role in supporting strategies to reverse this trend by avoiding a one-size-fits-all approach and recognizing rural communities' unique challenges and opportunities. Therefore, it will be critical that the new rural and northern infrastructure fund provide provinces and territories with the flexibility to use a funding mechanism that best meets the needs of rural communities in their jurisdiction and that is developed in consultation with their respective municipal associations.

Regardless of which mechanism is identified, FCM urges the government to adopt a transparent and predictable funding process that aligns with municipal capital planning and local priority-setting. FCM is also recommending that the federal government recognize the limited fiscal capacity of rural communities by providing more flexible stacking limits for federal infrastructure programs, and allowing municipalities to allocate funding from this new fund towards projects that also qualify for funding under the Phase 2 public transit, social, green and transportation infrastructure programs, where appropriate.

The federal government should also work closely with provincial, territorial and municipal governments on the design and roll-out of this fund to ensure investments are truly dedicated to rural and small communities, while allowing for flexibility. In particular, the federal government should not continue with the Small Communities Fund's one-size-fits-all threshold of 100,000 residents and allow for eligibility thresholds to be negotiated between provinces and territories and their provincial-territorial municipal associations.

#### *Rural Lens for Phase 2 Infrastructure Programs*

FCM will continue to work with the federal government to design and implement other components of Phase 2 to ensure that they are tailored to the unique needs of rural and northern communities. In particular, FCM's Rural Forum has requested that the federal government apply a rural lens to the eligibility criteria for Phase 2 infrastructure programs to reflect the limited fiscal capacities and low and sparse populations of rural communities, with the aim of enhancing rural economic development.

The federal government should ensure the eligibility criteria for all four funds considers the breadth and diversity of priority projects in rural communities by including asset classes that best serve less populated, more remote or more fiscally constrained municipalities and by incorporating project categories that would be eligible under the new fund for rural and northern infrastructure. FCM also looks forward to working with the federal government to help streamline the administration of all Phase 2 programs to ensure that rural communities can access the funds efficiently and fairly through simplified project identification processes and consistent reporting requirements. These funds should also provide the flexibility and support for rural municipalities to bundle regional projects and achieve economies of scale.

#### ***Additional Long-Term, Predictable Infrastructure Investments***

In addition to the New Building Canada Fund and Gas Tax Fund, FCM proposes that the federal government make additional long-term, predictable investments in core municipal infrastructure that is costly for rural municipalities to maintain, such as roads and bridges and water, storm-water and wastewater systems. Federal government investments under this additional funding mechanism would be cost-shared and would be allocated to each province and territory using the same "base plus per capita" formula currently used for the Gas Tax Fund and the Building Canada Fund.

Rural municipalities would benefit from additional long-term, predictable funding and no longer have to rely on application-based programs that pit them against each other and bigger cities in the "infrastructure lottery." FCM proposes a transparent and highly visible funding process with municipalities presenting their annual capital plans, and governments allocating funds based on identified priorities.

There is also a critical need for additional support for asset management capacity building so that rural and small communities can build the internal expertise necessary to apply asset management principles to their management of municipal infrastructure.

#### ***Strategies***

- FCM is calling on the Government of Canada to continue working with municipal and provincial/territorial governments to ensure that all communities, including those in rural areas, receive a fair and predictable share of new federal infrastructure investments, and that targeted programs exist to meet the infrastructure needs of rural municipalities.
- FCM will work to support asset management capacity building with a specific focus on small and rural communities, so that all municipalities can benefit from asset management best practices.
- For the second phase of the government's infrastructure plan, FCM will call on the federal government to:
  - Design the new Rural and Northern Communities Fund to support the capital priorities of local governments, including roads and bridges, culverts, water and wastewater treatment, septic system upgrades and a full range of transportation and mobility needs.

- Apply a rural lens to all Phase 2 program eligibility criteria to reflect fiscal limitations and sparse populations, with the aim of enhancing local economic development.

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## **BROADBAND**

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*The importance of telecommunications infrastructure to Canada's rural, remote and northern communities cannot be overstated. To support rural, remote and northern development, the Government of Canada's policies on broadband and radiocommunication spectrum must ensure that all Canadian communities have timely, accessible and reliable access to broadband.*

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Much of the economic growth that has taken place in recent years has resulted from the use of broadband networks to improve productivity, provide new products and services, support innovation in all sectors of the economy, and access new markets in Canada and abroad. The federal *Broadband Canada: Connecting Rural Canadians* program invested \$225 million in improving rural broadband networks from 2009-2010 to 2011-12 and was a key component of the federal government's Economic Action Plan introduced in 2008. FCM was active in securing funding for rural broadband as part of the EAP, and actively monitored the rollout of *Broadband Canada* until the program concluded in early 2012.

In the 2014 federal budget, the Government of Canada announced its new *Connecting Canadians* program would provide an additional \$305 million over five years to extend 5 megabit-per-second broadband services to up to an additional 280,000 households.

In July 2015, FCM participated in the first phase of the CRTC's Review of Basic Telecommunications Services. As part of its intervention, FCM called on the Commission to expand the basic service objective to include universal access to affordable high-speed broadband Internet at speeds that reflect present realities and guarantee long-term, reliable connectivity. Expanding the basic service objective to include high-speed broadband is critical to enhancing Canada's global competitiveness and ensuring that all Canadians have access to affordable and reliable broadband service at speeds comparable to Canada's peers in the United States, Europe and elsewhere.

On December 21, 2016, the CRTC announced their decision in the review, and their decision responds directly to FCM's call for universal access to reliable broadband services across Canada. The CRTC's decision lays the groundwork for improved access to high-speed broadband across rural and northern Canada in three key ways by:

- Establishing a new universal service objective so Canadians, in urban areas as well as in rural and remote areas, have access to voice and broadband Internet access services, on both fixed and mobile wireless networks;
- Creating a fixed broadband Internet service criteria for all Canadian households and businesses, with an updated speed target of 50 mbps for downloads and 10 mbps for uploads and an unlimited data option, to better reflect technological advancements and changes in user needs. Fixed broadband Internet access service at these speeds should be available in 90% of Canadian homes and businesses by the end of 2021 and in the remaining 10% within 10-15 years; and
- Establishing a new application-based funding mechanism for basic broadband access, with \$750 million in funding over the first five years and 10% of funding allocated to satellite-dependent communities in these first five years. The CRTC will initiate follow-up proceedings in early 2017 to examine design considerations for this new funding mechanism.

In March 2016, FCM welcomed the federal government's proposed \$500-million investment over five years to extend and enhance broadband service in rural and remote communities. Further to this announcement, in December 2016, the Government of Canada announced that their new broadband program, *Connect to Innovate*, will invest up to \$500 million by 2021 to bring high-speed Internet service to rural and remote communities in Canada. FCM engaged with Innovation Science and Economic Development Canada during extensive consultations throughout the spring and summer 2016 on the new

program. Moving forward, it will be critical for ISED to develop long-term funding mechanisms beyond the five-year timeframe for the proposed program, in order to continuously improve broadband coverage and capacity in Canada's rural and remote communities.

### **Strategies**

- FCM will continue to call on the federal government and the CRTC to close the rural broadband gap, working with FCM and rural municipalities to implement *Connect to Innovate* and extend reliable and affordable broadband Internet access to every Canadian community.
- FCM will continue to press the Government of Canada to allocate the resources needed to connect all Canadian communities to the Internet and ensure comparable levels of broadband service for rural and remote communities.
- FCM will continue to monitor the implementation of ISED's *Connect to Innovate* program and the CRTC's decision in their Review of basic telecommunications services.

### **RURAL ECONOMIC DEVELOPMENT**

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*For issues within federal jurisdiction, FCM calls on the federal government to foster conditions for economic development in rural Canada, so these communities enjoy the same competitive advantages as other parts of the country.*

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Rural areas play a critical role in building national wealth, but some of these communities are losing their capacity to foster economic activity and maintain quality of life. Programs and strategies to reverse this trend must avoid a one-size-fits-all approach by recognizing the unique challenges and opportunities that exist in rural communities.

Rural municipal governments recognize that strategies to eliminate barriers to economic development must be accompanied by new and innovative approaches to attract people to rural communities. To attract the talent and skills necessary to sustain vibrant local economies, these communities must become attractive to young people, immigrants and Aboriginal people. In many cases, rural communities may attract retired Canadians, who bring their own demand for goods and services.

### **Strategies**

- FCM will continue to call on the federal government to systematically elevate rural priorities, working with FCM to explore a mechanism to ensure that all federal policies and programs respond to the specific needs of rural communities in all regions of Canada.
- FCM will investigate opportunities to promote rural communities to new Canadians through international partnerships and by working with federal initiatives to encourage and increase immigration to smaller, rural communities.

### **RESOURCE-BASED COMMUNITIES**

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*FCM urges the federal government to coordinate programs that diversify the economies of communities that depend on single-resource industries. Where international and domestic policies impede resource industries, the federal government must take the lead in helping to resolve these disputes quickly.*

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Although many rural communities currently share in the benefits of resource industries, such as agriculture, forestry, fishing and mining, the long-term success of local economies requires economic diversification. Commodity price fluctuations, tariffs, declining fish stocks and international trade disputes leave these communities vulnerable to industry downturns and plant closures.

In the past several years, trade disputes have had serious consequences for many Canadian communities, particularly those that rely on forestry and agriculture. FCM members recognize the efforts by the Government of Canada to open up trade in softwood lumber, beef and cattle. FCM urges the Government of Canada to communicate clearly with affected communities when it negotiates international agreements. Diversification of rural economies will make communities less dependent on single industries and natural resources and will mitigate the strains municipal governments face in coping with a boom-and-bust local economy.

Rural communities recognize that economic diversification will make them more competitive in a global economy. Opportunities created through broadband access, rural tourism and new environmental technologies will help to create strong, vibrant rural economies.

### **Strategies**

- FCM will continue its efforts to better inform Canadian municipalities about international trade negotiations and to address their questions, as well as to ensure that their views and concerns on trade matters are brought to the attention of the federal government through the FCM/GAC Joint Working Group on International Trade.
- FCM will urge the Government of Canada to coordinate programs that diversify the economies of communities that depend on single-resource industries.
- FCM will urge the Government of Canada to help agricultural producers and primary resource industries in crisis, while building capacity for long-term economic sustainability.
- FCM will encourage research and case studies on how communities that depend on single-resource industries in crisis may adapt to improve economic sustainability.
- FCM will urge the Government of Canada to consider the perspectives of rural communities in its response to the 2015 Canada Transportation Act Review, including whether Canada's rail transportation system has adequate capacity to meet the demands of economic growth in rural communities.

### **INTERDEPENDENCIES BETWEEN RURAL AND URBAN COMMUNITIES**

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*FCM believes that federal policies and programs must recognize the linkages between rural and urban communities. Initiatives must be coordinated for the mutual benefit of rural and urban communities throughout Canada.*

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Strong rural communities deliver significant advantages to Canada's rapidly growing urban centres. Food and water, energy and fuel, and raw materials are essential to ensuring a high quality of life for all Canadians. If urban centres are the country's engines of growth, rural communities fuel these engines. A better understanding is needed of the interdependencies between urban and rural Canada and how the health and success of one affects the other. Federal policies and programs must better distinguish between rural and urban areas, and recognize that rural and urban communities do not operate in isolation from each other.

### **Strategies**

- FCM will work with associated organizations, such as the Canadian Rural Revitalization Foundation, to support research activities that identify urban-rural linkages and inform federal policies and programs.
- FCM will investigate opportunities for ongoing dialogue between urban and rural elected officials, including meetings of FCM's Big City Mayors' Caucus and Rural Forum.

- FCM will work with Statistics Canada to provide broader, more comprehensive definitions of rural and urban to provide a better understanding of the complex relationship between rural and urban communities.

## **ENVIRONMENTAL SUSTAINABILITY FOR RURAL COMMUNITIES**

*To make environmentally sustainable planning easier, rural communities must have access to rural-specific resources, including tools, expertise and financial capacity. Federal policies, programs and regulations will be most effective if developed in partnership with municipal governments.*

Like their urban counterparts, many rural communities affect the natural environment through their management of drinking water, sewage treatment, solid waste, land use, transportation and energy use. Unlike their urban counterparts, rural communities do not have the financial capacity to research best practices or employ industry experts to help them achieve their sustainability goals.

Rural communities require revised legislative and regulatory frameworks, as well as new tools and training and the development of best practices and tools to measure progress. Federal programs and policies must recognize that seizing rural opportunities depends on recognizing community priorities and capacity.

For example, rural communities lack the resources to support full-cost pricing for water and will need more federal support for their water systems. They also cannot afford to upgrade their wastewater systems to meet new federal wastewater regulations without assistance. Furthermore, many smaller rural municipalities lack the financial resources or technical expertise to make the best use of asset-management planning and other best practices in sustainable infrastructure.

Where federal initiatives impose undue burden on rural communities, these initiatives must be revised with municipal participation. For example, municipal governments recognize the importance of protecting fish and fish habitat, but are concerned about unduly strict regulation of low-risk activities, unclear guidelines, long timelines and stringent enforcement. By partnering with municipal governments, federal departments can streamline implementation and administration without compromising environmental outcomes.

Shifting toward more sustainable energy sources is critical to improving air quality and reducing greenhouse gas emissions. Leveraging the significant renewable resources in rural and remote communities would increase Canada's supply of clean energy while providing important economic and social benefits for Canada's rural communities.

### **Strategies**

- FCM will support the sharing of best practices for rural municipal sustainability through conferences, website, webinars and the Green Municipal Fund.
- FCM will promote intergovernmental partnerships to develop measurement tools specific to rural municipal sustainability.
- FCM will urge the Government of Canada to change federal policies that unduly burden municipal governments, particularly policies related to fish habitat and environmental assessments.
- FCM will continue to call for the federal government to provide predictable funding to support local governments with the implementation of the federal wastewater regulations, including prioritization of facilities deemed high-risk and requiring upgrades before 2020.
- FCM will urge the Government of Canada to work with municipalities to develop a plan to provide assistance to rural residents for critical upgrades to defective septic systems in rural areas not serviced by municipal wastewater treatment facilities.

