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2016 INFRASTRUCTURE  
SPENDING IS IN  
THE PIPELINE

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# MASSIVE FUNDING SLATED FOR INFRASTRUCTURE

2016 infrastructure spending is in the pipeline

BY JIM BARNES

A massive increase to federal infrastructure funding was made in Budget 2016. Some \$60 billion over 10 years has been added in two phases to the current \$65 billion in funding, while the current Building Canada Fund is being accelerated. As well, commitments have been made to simplify access to the funds. So, what does it all mean to contractors?

## **ECONOMIC ISSUES**

Stimulus and improving the efficiency of the Canadian economy are stated goals of Budget 2016, along with green construction and social concerns.

The Bank of Canada has predicted that Canadian GDP will slow by one per cent in the second quarter. The sharp decline in oil prices, the Alberta wildfires and shaky consumer

confidence have been major drags on the economy.

The programs covered under Budget 2016 should raise the level of real GDP by 0.5 per cent in the first year and 1.0 per cent the following year, according to the Department of Finance.

The elephant in the room is debt.

The Parliamentary Budget Office has questioned the sustainability of

provincial debt, now at 32.5 per cent of GDP.

That debt may hobble provincial spending on infrastructure. "We've been told by some of our provincial associations that some of the provinces don't have the money [to implement significant new infrastructure spending]," says Michael Atkinson, president, Canadian Construction Association, Ottawa. "That's particu-



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larly true for those provinces whose budgets depend on the price of oil.”

The outlook on federal debt is rosier and the net federal debt is manageable, according to the Parliamentary Building Office.

Despite the deficits, the budget has won international admiration. Angel Gurría, Secretary-General, Organisation for Economic Co-operation and Development, called Canada a “good example of a country taking the right measures to break out of the low-growth trap.” Citing Canada’s monetary policy and willingness to take advantage of low interest rates for public investment, he said “Canada is an example to other advanced countries.”

### **CURRENT PROGRAMS**

The Building Canada Plan dates back to 2007, and the New Building Canada Plan has been in force for two years now. On-Site has reported regularly on these investments.

However, much of the funding remains unallocated. The government wants to deliver these investments, involving some \$8.7 billion, as quickly as possible and ideally within two years. “Two years from now, there will be no uncommitted money,” says Atkinson. “If it’s not allocated within the next few years, then it’s going into the Gas Tax Fund.”

Typical projects will be “ready to go” – repair and maintenance of municipal infrastructure, improving roads, bridges, transit, clean water, and wastewater facilities.

On top of that, some \$3 billion each year is coming in dedicated funding for municipal infrastructure projects through the current Gas Tax Fund and the Incremental Goods and Services Tax Rebate for Municipalities.

The basic Gas Tax Fund provides \$2

billion a year as a permanent source of infrastructure funding for municipalities. It is indexed at two per cent per year, which means that it will grow by \$1.8 billion over the next decade.

The funds go to the provinces and territories twice a year, who in turn pass it on to the municipalities. The municipalities have great flexibility in their choice of projects.

### **KICK-OFF**

Phase 1, the kick-off of the new funding, is underway. More than \$11.8 billion is budgeted over five years, with other infra-

## PHASE 1 INFRASTRUCTURE INVESTMENT

(\$millions)*	16-17	17-18	18-19	19-20	20-21	Total
<b>Public Transit - Phase 1</b>						
Public Transit Infrastructure Fund	852	1,696	852	-	-	3,400
<b>Green Infrastructure - Phase 1</b>						
Green Infrastructure Projects Aligned with the Pan-Canadian Framework on Clean Growth and Climate Change	19	59	9	9	9	105
Adaptation and Climate Resilient Infrastructure	24	70	90	138	91	413
Supporting Municipalities: Climate Change and Green Projects	75	125	-	-	-	200
Community Capacity for Asset Management	50	-	-	-	-	50
Clean Water and Wastewater Fund	501	959	501	39	-	2,000
Water, Wastewater and Waste Management Infrastructure for First Nations Communities	311	418	498	504	511	2,243
<b>Subtotal - Green Infrastructure</b>	<b>980</b>	<b>1,631</b>	<b>1,098</b>	<b>690</b>	<b>611</b>	<b>5,010</b>
<b>Social Infrastructure - Phase 1</b>						
Affordable Housing	980	501	-	-	-	1,481
Supporting Early Learning and Child Care	-	400	-	-	-	400
Cultural and Recreational	171	171	-	-	-	342
Social Infrastructure Investments in First Nations Communities	503	607	53	36	20	1,219
<b>Subtotal - Social Infrastructure</b>	<b>1,653</b>	<b>1,679</b>	<b>53</b>	<b>36</b>	<b>20</b>	<b>3,442</b>
<b>Phase 1 of Canada's New Infrastructure Plan - Total Announcements</b>	<b>3,485</b>	<b>5,006</b>	<b>2,003</b>	<b>726</b>	<b>631</b>	<b>11,852</b>
<b>Additional Infrastructure Investments in Budget 2016</b>						
Strategic Infrastructure Investments at Post-Secondary Institutions	500	1,250	250	-	-	2,000
Revitalizing Federal Public Infrastructure Across Canada (cash basis)	920	1,786	269	197	191	3,363
Investments in Rural Broadband	6	81	253	108	52	500

structure-related spending also planned. See *Table A for spending projections*.

The agreements under Phase One will differ from those of the original New Building Canada Plan. In cases where relevant projects are already underway, some agreements may be made retroactive to April 1. In effect, “for transit, wastewater and whitewater treatment projects, if you have a project that you have already started or want to start right away to take advantage

of the summer construction season, you can do so,” says Atkinson.

Another plus is that the federal funding will cover the costs of design and planning for future expansion of those types of projects. “Previously, that was not covered,” says Atkinson.

As well the federal component for projects involving municipalities will be 50 per cent, instead of the 33.3 per cent under the previous program.

Phase 2 will be announced next year. It will take a longer-term look at investment. Major government infrastructure concerns will be highlighted, grouped under the general headings of green, social and transit, according to Atkinson. “They’re talking about spending \$12 billion over the next five years.”

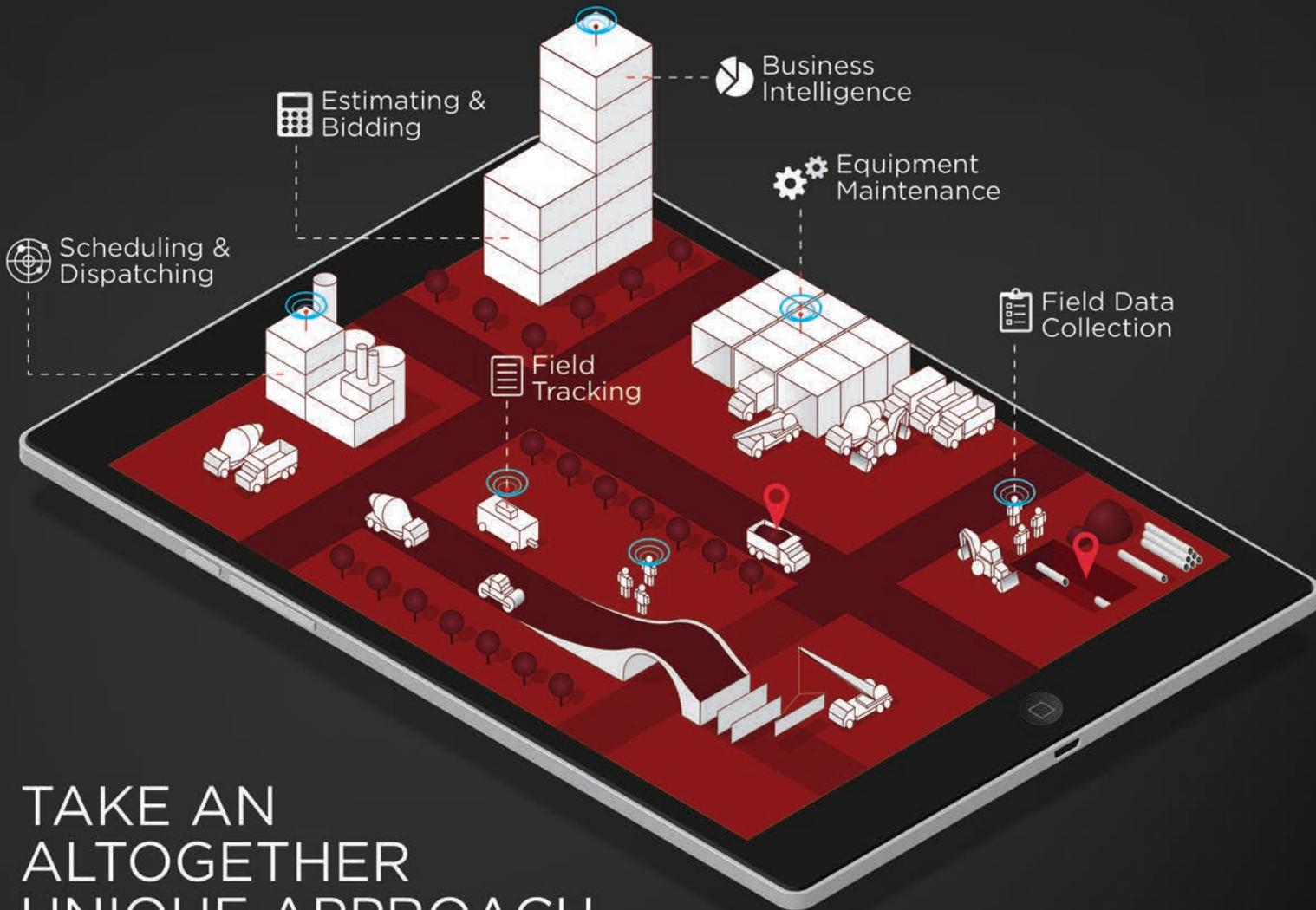
A lot of emphasis is being put on consultation, especially with the municipalities and the industry. Consultation will

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## 2016 Infrastructure Report

likely begin next year, beginning with eligibility requirements, according to Atkinson.

“It looks like there’s going to be quite a consultation process, with the provinces, territories, municipalities and indigenous communities. It’s going to be pretty significant,” says Jim Dougan, president, Eastern Canadian Buildings and Civil Infrastructure, PCL. Until the consultations are held, details will be scarce. “Until we know more, it’s hard to comment on it.”

### CUTTING RED TAPE

For those accustomed to governmental delay and red tape, attitudes expressed about the funding agreements are refreshing.

Armarjeet Sohi, Minister of Infrastructure and Communities Infrastructure, said his government wants to allocate the unspent infrastructure money quickly. “I don’t want to lose another construction season,” he said. “We need to have as few strings attached to the funding [as possible], keeping in mind the outcomes we want to achieve.” As of this writing, Sohi has signed off on nearly 164 projects since November of 2015.

Are the floodgates opening? “I don’t believe that there is going to be any capacity problem in the industry. A lot of these projects are smaller, relatively speaking. In some parts of the country, things

*“We need to have as few strings attached to the funding [as possible], keeping in mind the outcomes we want to achieve.”*

are pretty dry,” says Atkinson.

Dougan has concerns about the accelerated time frame. Time is needed “so we can respond, and get people put to work. We’re halfway through this year’s construction season. For 2017, we’d like to see a good, strong start so it can be fully utilized in that fiscal period.”

Another simplification was eliminating the requirement for P3 screening. “They said it was adding to the complexity of getting things approved. The provinces are going to be doing that [screening] anyway,” says Atkinson. “They don’t want to dictate to the provinces. They just assume that is part of the logical process.”

“I think that’s positive – cutting down on the process. Some of the thresholds may have been too low. I just hope P3s don’t get eliminated from the process, because it is a good delivery model from the taxpayers’ perspective,” says Dougan.

Funding beyond the programs under discussion may be available from PPP Canada. Responsibility for PPP Canada Inc. has

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been transferred to the Minister of Infrastructure and Communities from the Minister of Finance.

## NEW AGREEMENTS

“Essentially, you have three framework agreements now. One is for the gas tax. Two, you have agreements for the Building Canada Plan, one and two. Three, there’s a framework agreement out that looks like it’s only for Phase I. I’m not sure whether separate agreements will be required for Phase 2... We are being told that Phase 2 will have different criteria. That’s why there is going to be a consultation process,” says Atkinson.

New Bilateral Agreements are needed for both the Public Transit Infrastructure Fund (funding for which is based on potential ridership) and the Clean Water and Wastewater Funds in Phase 1. As of this writing, agreements have been signed with: B.C. (PTIF)

## INFRASTRUCTURE INSTRUCTIONS

The best summary of the federal government’s priorities in infrastructure are found in a letter Prime Minister Trudeau wrote in November to Amarjeet Sohi, Minister of Infrastructure and Communities.

### Among other measures, the letter called for:

- Immediate, increased investments in infrastructure.
- Long-term, predictable funding supporting provincial, territorial and municipal priorities.
- Improved access to, and governance of, existing infrastructure programs.

### Particular emphasis went to:

- Public transit.
- Social infrastructure.
- Green infrastructure, including local water and wastewater facilities.
- Changes to the Building Canada Fund, making it more transparent and speeding up approval processes.
- More focus in the Building Canada Fund on strategic and trade infrastructure, including roads, bridges, transportation corridors, ports, and border gateways.
- Transferring unspent infrastructure funds to municipalities through a temporary top-up of the Gas Tax Fund.

### The letter also called for the establishment of the Canada Infrastructure Bank, which would:

- Provide low-cost financing (including loan guarantees) for municipal infrastructure projects in priority investment areas.
- Work with other levels of government and the financial community to enable municipalities to finance infrastructure using the federal government’s strong credit rating.
- Prepare for the launch of a new Canadian Green Bond to facilitate investment.



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Newfoundland and Labrador (PTIF and CWWF), Quebec (PTIF and CWWF) and Yukon (PTIF and CWWF). “The rest should follow pretty quickly,” notes Atkinson.

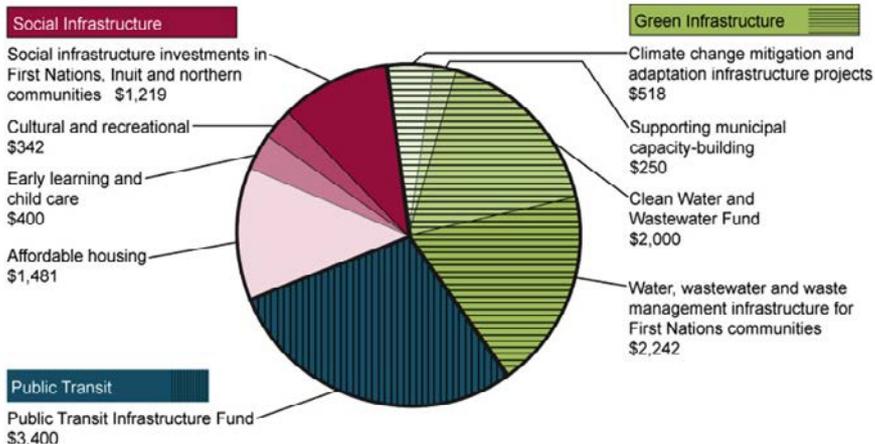
Atkinson voices some concern about timing. Say a provincial government has a major project that can't be completed in three years, meaning it doesn't fit into Phase 1. Will they apply for the current NBCP funding at 33.3 per cent federal participation? Projects under the new program are being funded at 50 per cent when a municipality is involved. “Some of the provinces may be sitting back on major projects that they feel will qualify under the new plan, to get the additional dollars.”

Caveats aside, stakeholders in construction applaud the funding.

“This budget and the new, stronger working relationship between the federal government and municipalities really marks a new way of getting things done for Canadians,” said Don Iveson, chair of the Big City Mayors’

five-year total, \$ millions

Total = \$11.9 billion



Caucus, under the Federation of Canadian Municipalities.

“It's all a positive story. It's like anything, it's how it's rolled out. Communication is so important for everybody – just so we understand it,” says Dougan. □

Jim Barnes is a contributing editor to On-Site. Send comments to [editor@on-sitemag.com](mailto:editor@on-sitemag.com).

## COMPETITIVE CONCERNS

Canadian Commissioner of Competition John Pecman has publicly expressed concerns about the speed with which decisions are being made this year on infrastructure.

“You have to be careful when you want to spend money in that time-frame,” notes Stéphane Hould, deputy commissioner for the Cartels Directorate, Competition Bureau, Ottawa. There is additional potential for crimes such as bid-rigging.

Hould says he sometimes speaks to industry stakeholders who are not really aware that this sort of collusion is criminal behaviour. They tell him “That's just the way we do business.” He notes that the penalties can be severe, including fines and prison sentences of up to 14 years.

“That's what we're trying to break up – that culture,” he says. “People might not realize that it's price-fixing, or market allocation, or bid-rigging... It's serious. It can undermine and compromise competition.”

A primary tool is informants. Through its Whistleblower Initiative, the bureau makes it simple for the public to come forward with information anonymously.

A major focus is outreach, educating the procurement community and industry associations about these issues. “At the end of the day, if we can make people more aware, then we don't have to enforce as much,” he says.

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