

DANGER AHEAD!

The current state of municipal infrastructure in Canada

By Tyler MacAfee, AMM Director of Policy & Communications

In November 2007 the Federation of Canadian Municipalities released *Danger Ahead: The Coming Collapse of Canada's Municipal Infrastructure* authored by **Dr. Saeed Mirza** from McGill University. Never in the recent past has a municipal report generated as much discussion and interest as this report has since its release.

Immediate national attention was paid to the report following its release at a news conference in late November. Coverage on all the major national news stations followed, as did coverage on local stations, supporting the argument that the infrastructure deficit is of both local and national interest. The report was also shared with the federal government, and was discussed publicly by Federal Minister of Finance Flaherty, whose

negative comments about the report helped to keep the report a top news story.

Everyone knows that there is an infrastructure deficit. It is abundantly clear that more is needed than municipalities can fund alone. All orders of government have acknowledged this, and we have seen some action. The GST Rebate and Gas Tax Program at the federal level, the Building Manitoba Fund provincially, and programs like the Municipal Rural Infrastructure Fund are all in recognition that this is the responsibility of all orders of government and is bigger than municipalities can handle alone. However while action has been taken, it has been done without really knowing the full extent of the deficit. This new FCM report quantifies the current deficit, and sheds light on the seriousness of the current problem.

The report indicates that today the municipal infrastructure deficit is estimated at \$123 billion. Most alarming is not just the magnitude of the number, but that this is more than doubled from the 2003 estimate of \$60 billion. The rate of increase clearly shows that action must be taken now to address this alarming trend. It isn't going away, and it sure isn't getting any easier.

The report breaks down the deficit into a number of sub-deficits, including:

- \$31 billion - water and wastewater systems
- \$21.7 billion – transportation
- \$22.8 billion – transit
- \$7.7 billion – waste management
- \$40.2 billion – community, recreational, cultural and social infrastructure

Because of the importance of the issue and report, The Municipal Leader has been granted permission from the author to reprint the executive summary of the report.

“Canada’s quality of life and economic competitiveness depend in part on having reliable, efficient infrastructure that is provided in large part by the municipal, provincial, territorial and federal governments.”

Canadian municipalities build, own and maintain most of the infrastructure that supports our economy and quality of life. Yet for the past 20 years, municipalities have been caught in a fiscal squeeze caused by growing responsibilities and reduced revenues. As a result, they were forced to defer needed investment, and municipal infrastructure continued to deteriorate, with the cost of fixing it climbing five-fold from an estimated \$12 billion in 1985 to \$60 billion in 2003. This cost is the municipal infrastructure deficit, and today it has reached \$123 billion.

The upward trend of the municipal infrastructure deficit over the past two decades points to a looming crisis for our cities and communities and ultimately for the country as a whole. The deficit continues to grow and compound as maintenance is delayed, assets reach the end of their service life, and

repair and replacement costs skyrocket. When compared with earlier estimates, the \$123-billion figure clearly shows the municipal infrastructure deficit is growing faster than previously thought.

Across Canada, municipal infrastructure has reached the breaking point. Most was built between the 1950s and 1970s, and much of it is due for replacement. We can see the consequences in every community: potholes and crumbling bridges, water-treatment and transit systems that cannot keep up with demand, traffic gridlock, poor air quality and a lack of affordable housing. The infrastructure deficit affects all communities, from major cities to rural, remote and northern communities, where municipal governments lack essential infrastructure and do not have the tax base to develop it.

Action is needed to eliminate this deficit and prepare for effective infrastructure

management in the future. Since the first step in any project is to determine the scope of the problem, FCM commissioned Dr. Saeed Mirza of McGill University to survey municipal governments to determine their infrastructure needs as a first step toward determining the size, scope and growth rate of the municipal infrastructure deficit.

The \$123-billion estimate includes “sub-deficits” for key categories of municipal infrastructure: water and waste water systems (\$31 billion), transportation (\$21.7 billion), transit (\$22.8 billion), waste management (\$7.7 billion) and community, recreational, cultural and social infrastructure (\$40.2 billion). There is also an estimate of new infrastructure needs, defined as projects that increase infrastructure capacity through expansion and/or new construction. Similar to earlier studies, this report provides a “snapshot” of what municipal governments

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So what do we do now? We know the number, or maybe more accurately we know what the number was in November 2007. If there is anything to learn from this report it is that this number is growing at an alarming rate and sitting back and waiting for something to happen isn't going to solve anything. This problem is much, much bigger than property tax and current municipal revenues can handle, and a coordinated, national approach with all orders of government working together is needed. Not until we have this will we even begin to reverse the current alarming trend.

We strongly recommend that all municipal officials read the complete report, available at <http://www.fcm.ca/english/advocacy/mdeficit.pdf>.

Restoring Fiscal Balance in Canada—
Focusing on Priorities,
Federal Budget 2006

identify as their infrastructure funding needs. It does not provide an exhaustive or complete account of the physical condition of municipal infrastructure.

If Canada is to prosper, municipal infrastructure investments must support the economic potential of our cities and communities. For this to happen, financing must reflect the long-term nature of infrastructure investments, which will require a long-term investment plan with agreed-upon priorities. This plan must bring long-term certainty to infrastructure funding, which will promote new efficiencies, technologies and best practices in infrastructure delivery.

Any serious plan to address the municipal infrastructure deficit must begin with an acknowledgement of the scope of the problem and the urgency to address it. This study represents the first step towards a real plan.



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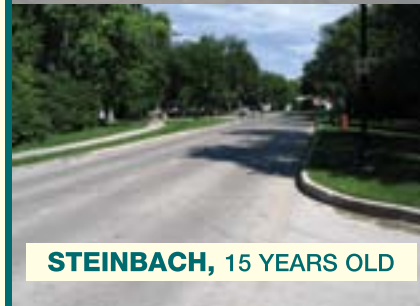
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