THE NEW BUILDING CANADA PLAN

WHAT IT MEANS FOR CITIES AND COMMUNITIES

Introduction

On February 13, 2014, the Government of Canada announced details of its new $47 billion new Building Canada Plan (NBCP). The NBCP replaces the existing Building Canada Plan which is set to expire on March 31, 2014.

FCM has been advocating that federal policy makers begin planning for the needs of our cities and communities in advance of the expiry of current programming – to think more strategically, longer-term and with a municipal focus.

In Budget 2011, the Government of Canada announced such as process and named FCM as a central partner in designing a long-term infrastructure plan that puts the needs of our cities and communities at the forefront. Since this announcement, FCM has been working tirelessly to keep up the momentum and ensure the Government of Canada remains true to its commitments of the new Plan.

Consultations between the federal government and FCM have not been extensive to date. However, details of the NBCF are now public. FCM continues to identify pressing issues and priorities in order to shape the final program parameters and design to ensure the NBCF meets the needs of all cities and communities.

The NBCF at a glance

Current BCF Components	**NBCP Components**
• 7-year plan, no review period	• 10-year plan with a 5 year review
• $2 billion/year – Gas Tax Fund, permanent	• $2 billion/year plus a 2% index beginning 2014-15, Gas Tax Fund,permanent
• $900 million – 100% Municipal GST Rebate, permanent	• $900 million – 100% Municipal GST Rebate, permanent
• $8.8 billion over 7 years – Building Canada Fund, expires 2014	• $14 billion over 10 years – New Building Canada Fund
• $1.25 billion over 5 years – P3 Canada Fund	• $1.25 billion over 5 years – P3 Canada Fund

MAJOR COMPONENTS OF THE NBCF

1. The FCM-Delivered Federal Gas Tax Fund

In Budget 2013, the Government of Canada announced that, beginning in 2014, the federal Gas Tax Fund (GTF) would be indexed at 2 per cent per year permanently. This was a major win for the sector toward securing secure, predictable investments for our cities and communities.

The index on the GTF protects the purchasing power of the fund over the long term, enabling it to keep pace with economic and population growth over time.

Value of a 2% index on the Gas Tax Fund

	Current value of GTF*	**GTF + index in 5 years (2018)**	**…in 10 years (2023)**	**…in 20 years (2033)**	**Cumulative new funding from index (2014-33)**
Canada Total	$2,000,000,000	$2,164,000,000 (8% increase)	$2,390,000,000 (20% increase)	$2,913,000,000 (46% increase)	$8,594,000,000
Canada Per capita	$59.74	$64.67	$71.40	$87.03	n/a
Yorkton, SK (pop. 15,000)	$896,146	$970,017	$1,070,977	$1,305,516	$3,851,071
Hanover, ON (pop. 7,147)	$426,984	$471,425	$520,491	$634,475	$2,042,398
Dégelis, QC (pop. 1,896)	$113,273	$125,062	$138,079	$168,318	$541,820
Bay Roberts, NL (pop. 10,180)	$608,184	$671,485	$741,373	$903,730	$2,909,139

* **Note:** GTF allocations are an estimate only, based on an equal per capita formula and drawn from FCM's GTF Future Value Calculator. For exact figures, please check with Infrastructure Canada or the municipality.

1. The 100% Municipal GST Rebate

The NBCP includes the ongoing 100 per cent municipal GST rebate as part of the Plan's total amount – totalling approximately $900 million per year. While not considered a new investment, this is the first time this ongoing commitment has been profiled as an investment in municipal infrastructure.

Each year, municipalities invest between $12-15 billion of their own-source revenues on infrastructure. In fact, total procurement on all goods and services at the local level amounts to approximately $100 billion per year. Announcing that this program will continue is good news for members who rely on this rebate in their own local budgeting.

2. The New Building Canada Fund (NBCF)

Significant details surrounding the NBCF have now been announced. The Fund itself will include three primary components.

Component	Investment/10 years
The National Infrastructure Component	$4 billion
The Provincial/Territorial Infrastructure Component	$9 billion
The Small Communities Fund	$1 billion
Total	**$14 billion**

3.1 The National Infrastructure Component (NIC)

The NIC will be geared toward supporting infrastructure projects of national significance. Project funding will be determined on its merits by the Government of Canada alone. Given the details known to date of the NIC, significant municipal projects will be eligible under this component in the following areas:

- Highways and Major Roads
- Public Transit
- Rail Infrastructure
- Local and regional airports
- Port Infrastructure
- Intelligent Transportation Systems (ITS)
- Disaster Mitigation Infrastructure

Analysis

The specific details of the evaluation criteria for these projects have yet to be announced. Municipalities own a substantial amount of the infrastructure listed as eligible within the NIC so it will be important to ensure that these criteria are well communicated in advance of the application start date.

3.2 The Provincial/Territorial Infrastructure Component (PTIC)

The PTIC will form the core funding ($9 billion over ten years) for municipal infrastructure projects under the NBCF. The PTIC has been designed to align with projects with strong economic benefits.

Eligible categories under the PTIC include

- Highways and major roads
- Public transit
- Drinking water
- Wastewater
- Solid waste management
- Green energy
- Innovation
- Connectivity and broadband
- Brownfield redevelopment
- Disaster mitigation infrastructure
- Local and regional airports
- Short-line rail
- Short-sea shipping
- Northern infrastructure (territories only)

The NBCF has included significant changes to the eligible categories over the previous BCF. Of special mention is the removal of local roads, sport and recreation infrastructure, culture and tourism. These categories have been moved to the GTF. Furthermore, the inclusion of the innovation category adds an entirely new party to the NBCF table: post-secondary institutions.

Analysis

Prior to the announcement, FCM had sought a commitment from the Government of Canada that a "majority share" of the NBCF should be dedicated to municipal infrastructure in lieu of identifying where the needs were the greatest. In the announcement, the Prime Minister indicated that "provinces, territories and municipalities will have unprecedented access" to federal infrastructure programs. This provides little guidance on the priorities of the NBCF. As a 10-year program, communicating priorities is critical for long-term infrastructure planning at the local level.

The inclusion of major roads as a category, however, may provide some measure of flexibility to local governments if a case can be made that a project will have a direct economic benefit to the community. While this represents another hurdle communities must clear to secure investments, the door remains open for these types of projects.

Additionally, the NBCF will solidify rules surrounding the maximum federal share of project costs. Under the new fund, the federal government will cover a maximum of 33 per cent of total project costs, ending the flexibility of municipalities to use their GTF investments as part of the municipal share. This is a significant change that limits the sources of funding available to local councils to prioritize important local projects. However, for public transit projects this maximum federal share will be higher, at 50 per cent.

The NBCF includes universities and colleges as a new player competing for federal infrastructure investments. The category of innovation is a specific call out to this stakeholder. It is unclear how projects in this category will be evaluated and, more importantly, how they will be evaluated alongside provincial/territorial and municipal projects.

While the motives for removing significant categories from the NBCF remain uncertain, it is clear that the new focus of the NBCF will be on higher-profile, higher-visibility projects.

3.3 The Small Communities Fund (SCF)

Continuing the trend from the previous BCF, the NBCF will include a dedicated envelope targeted toward rural and remote communities through the SCF. This $1 billion component of the NBCF will provide targeted funding for communities with populations under 100,000. The PTIC and SCF share eligibility categories. Communities under the population threshold will also retain the option of applying for federal funding under the PTIC and NIC.

This is certainly an important inclusion within the NBCF to recognize the unique challenges that rural, remote and northern communities face in providing infrastructure in their communities. The inclusion of the SCF within the Fund is welcomed by FCM.

Analysis

There was an immense amount of uncertainty as to whether the NBCF would include a component for small communities and FCM welcomes the inclusion of the SCF. While the total percentage share of this component is down slightly from the current BCF (10% under the NBCF versus 12% under the current BCF), the SCF remains an important component for smaller communities.

4. The P3 Canada Fund

The New Building Canada Plan will also include a $1.25 billion reinvestment into the P3 Canada Fund. This Fund, administered by PPP Canada, will continue its work to encourage and support the use of P3s within projects supported by the Government of Canada.

Analysis

As part of the NBCF application process, any project with capital costs in excess of $100 million will be required to undergo a P3 screen, which will be administered by PPP Canada. While this was telegraphed in Budget 2013, a significant addition to this process is that the decision of PPP will be considered final and binding. This is a concerning change in policy. Local governments are the experts on the infrastructure needs and capacities of their communities and removing this decision from locally elected officials will potentially distort local priorities.

Furthermore, a P3 screen is not a simple process of checking boxes on a checklist. Infrastructure Canada's website suggests that a P3 screen will add 6-18 months to the application process. As is, the screen will all but ensure that major projects over $100 million will not be able to go forward in this construction season.

NEXT STEPS IN PROGRAM DESIGN

The Government of Canada has re-committed to working with FCM between now and the launch of the NBCF on outstanding program parameters. These discussions will cover a wide variety of topics including the application process and details of the P3 screen. The Government of Canada stated that its continuing goal is to ensure a seamless transition from the old BCF to the new BCF.

For FCM, this means securing more information about the key issues and gaps in the framework details announced to date. Below is a summary of the key issues identified to date on which we will be seeking clarity:

1. **Application Process**
   a. **Categories under the NBCF** – seek clarity on what constitutes a major road under the NBCF and how these projects will be evaluated on their local merits
   b. **P3 Screen Details** – express the concerns of the municipal sector around P3 conditionality under the NBCF as well as project delays from a mandatory P3 screen

2. **Municipal Allocation**
   c. **Municipal Share of NBCF** – secure direct commitments that evaluation criteria will reflect the reality that municipalities are owners of over 60 per cent of Canada's core economic infrastructure
   d. **Competition under the NBCF** – seek clarity of how new parties such as universities, colleges and "for profit" agents will be considered under the NBCF

3. **Financing Options**
   e. **Restrictions to how Municipalities generate their third** – address concerns of federal "stackability" rules restricting the use of GTF investments toward NBCF projects