Policy Statement on Municipal Infrastructure and Transportation Policy

Section A: Municipal Infrastructure

Introduction

Municipal governments support quality of life. They are the stewards of our civic resources, investing billions of dollars in physical and social infrastructure. In recent years municipalities have also had to assume many new—and unfunded—responsibilities, without receiving any new revenue-raising tools. At the same time, the inadequacies of existing municipal revenue-raising tools, most notably the property tax, have grown more and more apparent. This has lead to what is commonly called the "municipal fiscal imbalance," which finds local governments facing increasing expenditure pressures without the proper tools to address them.

As a result of the fiscal imbalance, a large gap has emerged between the community's need for public services and the ability of municipalities to pay for them. This gap is most clearly seen in the national municipal infrastructure deficit.

Over the past 20 years, as successive federal and provincial governments have off-loaded responsibilities to municipal governments and cut transfer payments, the municipal infrastructure deficit has grown to more than $60 billion. Canada's municipal infrastructure is aging—most of it has reached 80 per cent of its service life—and this now threatens our economic growth and, with it, our quality of life.

The Government of Canada has responded by committing some $12 billion to infrastructure through a variety of programs since 1993. However, this has not been enough to reverse the deterioration of our infrastructure. Moreover, its ad hoc nature has made planning difficult. In 2002, FCM called for the transfer of a portion of the federal gas tax to municipal governments, which would help them plan by providing stable, predictable funding. This has partly been achieved, but only until 2013 - 2014, per Budget 2007.

Key Principles

Sustainable Infrastructure

An agreement between the Government of Canada and FCM in December 2000 led to the development of the National Guide for Sustainable Municipal Infrastructure, also known as Infraguide. In 2003, FCM's National Board of Directors endorsed Infraguide principles to help guide municipal decision-making.

The Treasury Board has not approved future funding for Infraguide and, as a result, FCM is winding down Infraguide operations. However, FCM will post the best practices produced by Infraguide on its own website. FCM has also responded to an invitation to submit an expression of interest in providing capacity-building services based on the existing Infraguide best practices, and it is now awaiting a response from the Government of Canada.

Infrastructure and the Environment

The more than1,600 member municipalities in FCM contribute significantly to Canada's environmental objectives. For example, cities and communities are involved in projects to reduce energy consumption, encourage public transit and reduce the amount of trash going to landfills.

Municipalities could make an even greater contribution to clean air and reduced greenhouse-gas emissions within a national plan with national coordination. Efforts to enlist the municipal sector in meeting broad national environmental goals, such as FCM's Green Municipal Fund, are producing results. However, the scope of our environmental challenges, as well as the untapped potential of our cities and communities, requires more.

FCM believes the federal government has a clear opportunity to work cooperatively with municipal governments and adopt an integrative, strategic approach to clean air and climate change. But municipal governments lack the resources and fiscal tools to build and maintain the infrastructure their citizens need, while at the same time undertaking new initiatives in the environment. With increased support and engagement from the federal government, municipalities would be able to contribute more in the fight for clean air and lower greenhouse gas emissions. In particular, new investments in public transit, energy efficiency and climate-change adaptation could deliver immediate results.

Climate Change Adaptation

Canada's cities and communities are increasingly vulnerable to the effects of climate change. These changes should concern all Canadians, but they particularly concern municipal governments, which must deal with the impact of climate change on the infrastructure and in their communities.

Canada's municipal infrastructure is aging and much of it is approaching the end of its service life. The added stress of extreme weather events associated with climate change only accelerates the aging process and increases the chances of infrastructure failure.

On their own, municipal governments lack the resources to study and respond to the local impacts of climate change. This is a global issue that requires national leadership to marshal a Canada-wide response. What's needed is a nationally coordinated strategy, supported and led by the federal government.

FCM Policies

Infrastructure Funding

Municipal infrastructure projects are planned, developed and financed over decades. Funding infrastructure projects in five-year increments and through unpredictable announcements limits their effectiveness and size. A long-term plan is needed to provide a strategic framework for ongoing infrastructure investments. Given the scope of the problem and its implications for our competitiveness and prosperity, the Government of Canada must lead the way.

The federal government must work with provincial, territorial and municipal governments to identify and implement a methodology to measure the size, scope and nature of the municipal infrastructure deficit, and to develop and implement a clear intergovernmental accountability framework to eliminate that deficit within 20 years. As a first step to a long-term framework for infrastructure funding, the federal government should commit to a long-term extension of federal investments in municipal infrastructure.

The government should also make the federal gas tax transfer permanent, with an escalator to protect the value of the investment over time. An adequate gas tax escalator will not only protect against inflation but will also allow the fund to grow in response to added pressures on municipal infrastructure from population and economic growth. Without an escalator, a permanent gas tax fund will still deliver $40 billion to communities between 2010 and 2030, but each year the purchasing power of the transfer will drop, thereby reducing the ability of municipal governments to meet the growing needs of their communities. (By 2030 the purchasing power of a $2 billion annual transfer will be about $1.3 billion in 2007 dollars.) On the other hand, an adequate escalator would increase the value of the transfer by a minimum of 3.5 per cent per year, delivering an additional $16 to $30 billion to municipalities over 20 years.

Strategies:

FCM will continue to urge the Government of Canada to do the following:

- develop and fund—in collaboration with provincial, territorial and municipal governments—a long-term plan to eliminate the municipal infrastructure deficit within 20 years;
- develop a set of targets for eliminating the infrastructure deficit;
- put into place a long-term legislative framework to support and guarantee the gas tax transfer, with an escalator clause; and
- commit to a long-term extension of federal infrastructure programs.

Infrastructure Programs

Canada's traditional infrastructure programs provide critical support to large projects for which no other funding source would be adequate. The Government of Canada must replenish and maintain these programs while developing a long-term plan to eliminate the municipal infrastructure deficit.

Traditional infrastructure programs have included the Canada Infrastructure Works Program (CIWP), the Infrastructure Canada Program (ICP), the Canada Strategic Infrastructure Fund (CSIF), the Border Infrastructure Fund (BIF) and the Strategic Highways Infrastructure Program (SHIP). The Municipal Rural Infrastructure Fund (MRIF) is a $1-billion program for communities of fewer than 250,000 people, to be allocated over five years. Infrastructure Canada has estimated that approximately 70 per cent of overall federal infrastructure investments have been made in municipal infrastructure (about $800 million of the $ 1.1 billion allocated per year).

These programs (in particular the CSIF and MRIF) provide critical support to large-scale projects for which no other funding source would be adequate, particularly for major projects in small communities that lack economies of scale. There are, however, two main problems with the infrastructure programs. First, they involve matching contributions, which can skew budgets in larger municipalities and leave smaller and remote municipalities ineligible. Second, the programs are not long term or are not specifically designed to pay down the infrastructure deficit. They are not part of a plan.

Statistics Canada estimates that slightly more than half of Canada's national infrastructure is vested with municipal government. This represents a huge liability for municipalities to finance, maintain and rehabilitate. For municipalities, any physical asset supporting social and economic activities may reasonably constitute municipal infrastructure and therefore represents a financial liability to the municipality. This definition of infrastructure would include not only streets, water pipes and sewers, but also parks, libraries and recreational facilities.

Municipal governments need a reliable, long-term revenue stream to support infrastructure investments, including each of the following:

- *Water systems*: High demand for water, coupled with unaccounted water in the distribution system, means higher capital, chemical and energy costs. While municipalities must show leadership through full-cost pricing and demand management, the disproportionately large cost of water infrastructure requires federal infrastructure programs, particularly in small, rural and remote communities where the property tax base is too small for tripartite funding programs.
- *Wastewater treatment*: Wastewater treatment problems include lack of sewage collection or treatment systems; inefficiently operated systems; treatment plants unable to cope with new pollutants; obsolete and costly infrastructure; and outdated monitoring, reporting and evaluation tools.
- *Municipal roads and bridges*: Deteriorating roads and bridges hamper the quality of life in many communities while compromising economic efficiency. Investment in projects to rehabilitate existing roads and build new ones is essential to safety, mobility and economic competitiveness, particularly in northern, remote and rural communities. Improvements typically lead to lower operating costs for all users, such as better fuel efficiency, less wear and tear on vehicles and reduced travel time.

- *Community and social infrastructure*: Communities are more than just roads and bridges. For municipalities, all physical investments are infrastructure, including parks, playgrounds, libraries, affordable housing, museums and concert halls. This kind of infrastructure adds to the competitiveness and quality of life of all communities. Eligibility for targeted federal infrastructure programs and priority investment areas for the gas tax transfer tend to skew municipal decisions about their investment priorities, at the cost of these critical investments. Targeted investment programs must recognize this infrastructure as core elements of the total municipal infrastructure envelope. This kind of infrastructures adds to the competitiveness and quality of life of all communities.
- *Sport and recreation infrastructure*: Municipalities provide most of the local, public facilities that Canadians use every day to stay physically active and engaged in their communities. Sport and recreation infrastructure is an important priority for targeted investment program eligibility, particularly as municipalities work to support the physical vitality of the elderly, respond to the growing obesity epidemic among the nation's young, and provide constructive alternatives for today's at risk youth.
- *Climate change*: To meet the challenge of climate change, FCM recommends that the federal government work co-operatively with municipal governments and adopt an integrative, strategic approach to clean air and climate change. In addition, the federal government should establish a municipal adaptation fund that will help municipal governments assess, and respond to, their vulnerability to climate change.
- *Urban revitalization*: Municipalities must provide neighbourhoods and downtown cores that are attractive places to live, work and play, if they are to succeed. To attract people and investment, municipalities are increasingly required to deal with problems such as distressed neighbourhoods and high crime rates. Municipalities are also required to invest in their downtown infrastructure, particularly through the creation of streetscapes and cultural facilities that enhance the urban fabric.
- *Urban forestry*: At one time, urban forestry was an integral component of civic infrastructure and was treated as a high investment priority, but this facet of urban infrastructure has been thoroughly neglected. Cities that invested in urban forest practices, particularly in streetscapes, have been richly rewarded. FCM considers urban forestry practices to be an integral component of municipal infrastructure.

As part of a stable, long-term commitment for increased federal infrastructure funding, municipalities would welcome the opportunity to work with the federal government to develop national objectives for infrastructure investments, and to measure Canada's progress in meeting those objectives. By participating in this long-term project, not only would municipalities help ensure that the benefits of federal infrastructure investments are well-documented and publicized, but many would also gain a clearer understanding of how best to plan their own infrastructure investments.

Strategies:

FCM will urge the federal government to allow maximum flexibility in defining municipal infrastructure when designing long-term, sustainable federal infrastructure programs and gas tax requirements.

FCM will encourage the federal government to partner with FCM, provincial and territorial governments and municipal associations to establish long-term, national objectives for federal infrastructure investments and to measure Canada's progress in meeting those objectives

Public–Private Partnerships (P3s)

In 2006, the federal government announced a plan to require that provinces, territories and municipalities consider public–private partnership (P3) options in order to receive federal funding for larger infrastructure projects. In the same update, the government also announced that it would be establishing "a federal P3 office to help facilitate the increased use of public–private partnerships in Canadian infrastructure projects."

Experience shows that P3s can sometimes deliver value under the right circumstances, but they're not a magic bullet to slay the infrastructure deficit. Under the right circumstances and with sufficient expertise, municipal P3s may help local governments meet the needs of citizens and deliver value for money.

P3s cannot and will not reduce the financial support municipalities need to provide adequate public infrastructure over the long term. It is therefore essential that the use of P3s not distract from, or diminish in any way, the financial contribution required from the federal government to help communities meet the infrastructure needs of their citizens.

We can draw the following conclusions from the available research:

- There is no evidence to suggest that P3s consistently cost any less to deliver than traditional public projects (or consistently provide better services.) This is partly explained by the complexity and cost of P3 procurement and contract negotiations, and as by the fact that it is generally more expensive for private sector partners to borrow money for a project than it is for the public sector.
- For smaller communities, the cost of even putting together a proposal for P3s, much less pursuing one, can be prohibitive.
- If municipalities grow too reliant on P3s, over time they may lose their own capacity to manage public initiatives themselves (due to, for example, retirement and lack of training and experience), thereby limiting the range of project approaches available to local government in the future.
- P3s are normally used to construct new projects, which tend to be more attractive to potential private-sector investors. They do little to address the more pressing problems municipalities face in funding repairs and maintenance of existing infrastructure.

The methods for evaluating municipal P3s, and comparing them to traditional public projects, should not be developed unilaterally by the federal government, nor should the federal government limit the ability of local governments to choose when and where they use P3s or other approaches.

If the federal government wishes to support successful P3s in the municipal sector, it must work cooperatively with municipalities to identify and develop real partnership opportunities. It must not impose rigid, one-size-fits-all requirements. P3s should be one of the tools available to municipalities and the decision-makers who best understand the needs and capacities of their own communities. It must be left to municipal governments themselves to determine if and when a municipal P3 is the best tool for the job.

Strategies:

Drawing on our findings, the FCM will strongly urge the federal government to do the following:

- reject rigid, one-size-fits all solutions. P3s work for some projects, in some communities, but not for all;
- support municipal governments in developing the capacity and expertise to successfully implement P3s where P3s make sense. P3s are too contingent on local factors to be successfully run by a central government. Municipalities are the on-the-ground experts who understand community needs, public sentiment and professional capacities in the local public and private sectors. The decision of when to pursue a municipal P3 should be left in local hands;
- consult closely and consistently with municipal governments on any plan to establish a federal P3 office or to develop P3 standards, requirements, comparators or evaluation methods; and
- measure success, not process. The new paradigm in public sector management is geared toward accounting for results or outcomes, rather than inputs. Imposing P3s as a pre-condition for funding may hurt results by distorting local decision-making and accountability, and by adding unnecessary red tape and administrative costs.

Section B: Transportation Policy

Introduction

All orders of government must work together to develop a rational, coherent, regionally sensitive and multi-modal transportation policy that involves all interested stakeholders and incorporates an appropriate balance of public sector responsibility with private sector support.

The Government of Canada is responsible for interprovincial transportation, while provincial and territorial governments are responsible for intra-provincial and local transportation. These governments in turn delegate responsibility for local transportation to municipal or regional governments. FCM believes that all orders of government must work together to develop a rational, coherent, regionally sensitive and multi-modal national transportation policy that involves all interested stakeholders and incorporates an appropriate balance of public sector responsibility with private sector support.

Key Principles

In the 1990s, the Government of Canada significantly changed the way it exercises its mandate in transportation. The traditionally pervasive federal presence in the planning, financing and operation of transport infrastructure and services has been turned over to the private sector or to local authorities incorporated specifically for that purpose. The government now relies almost totally on market mechanisms, rather than economic regulation, to ensure that adequate transportation services are available to all Canadians at reasonable prices.

FCM understands this policy but notes that significant consequences result from the federal government's withdrawal from the ownership, operation and regulation of a major sector of the economy. Specifically, there are issues regarding the long-term viability of divested facilities and services, the diminution of safety when existing regulations are inadequate for the new competitive environment, the adequate provision of services where demand is low, and reasonable and equitable transportation pricing for all regions of the country.

The federal government must respect its established commitment to keep transportation available by ensuring the new owners and operators have adequate financial and regulatory support to maintain the long-term viability of facilities and services. The government must recognize that a zero-subsidy approach is inappropriate and it must actively promote fair pricing and enhanced service by carriers serving captive market communities.

FCM Policies

Urban Transit

FCM strongly supports urban transit. No other mode of transport can move people as efficiently in our urban centres. As Canadians struggle to cope with environmental problems and congestion on city streets, urban transit systems reduce greenhouse gas emissions while freeing scarce roadway space. However, urban transit requires significant capital and operating revenue assistance, beyond what can be supported by property taxes and transit fares. What is needed is a commitment by the Government of Canada to long-term funding of public transit.

The Canadian Urban Transit Association estimates that between 2004 and 2008, transit systems will need $6.9 billion to keep their equipment in good repair and another $14.1 billion to expand, for a total of $21 billion. The gap between municipal needs and projected investments is estimated at $8.3 billion or about $2 billion a year. Much of the increase in need can be attributed to significant growth in expansion needs. Nearly 70 per cent of this increase comes from Canada's three largest urban areas: Toronto, Montreal and Vancouver.

The National Roundtable on the Environment and the Economy recommended in May 2003 that the Government of Canada invest $1 billion a year in transit over the next 10 years. The Toronto Summit made a similar recommendation.

In the 2005 federal budget, the Minister of State (Cities and Communities) made investing in public transit one of the three priorities for the $5-billion, five-year gas tax transfer. This was further augmented by subsequent federal budget negotiations when Bill C-48 delivered a one-time $800-million investment over two years in transit capital programs. The primary challenge facing transit systems now is the unpredictability of federal assistance and the consequences of that unpredictability for long-term capital investment in urban transit.

During the 2006 election campaign, the Conservative Party platform pledged to "fight congestion through public transit," saying that "improved public transit usage will help reduce both traffic congestion in our urban centres and carbon dioxide and other emissions." The platform proposed to encourage Canadians "to choose transit by making this option more financially attractive." This would entail giving transit riders a federal tax credit to cover the cost of monthly transit passes. Parents would be able to receive this credit for their dependent children as well.

FCM has supported making employer-provided transit passes a non-taxable benefit. However, the policy addresses only the demand side of the equation without offering a means to increase the supply of public transit. This is a prescription for overcrowded trains and buses, which in turn will discourage use and negate the tax credit's ability to attract transit riders. What is needed is a commitment by the Government of Canada to long-term funding of public transit.

Strategies

- FCM supports making employer-provided transit passes a non-taxable benefit.
- FCM will urge the Government of Canada to enforce fully existing income tax provisions relating to employer-provided parking spaces.
- FCM has developed a proposal for a national long-term transit strategy. It will urge the federal government to adopt this strategy.

Air Transportation and Airports

Canada's national transportation policy must ensure adequate and affordable air service that supports economic development in all regions and communities. Canada must have a safe, efficient and competitive airline industry that serves all regions at a reasonable cost. The Government of Canada must do what is necessary to achieve an efficient and effective air policy in Canada.

The Government of Canada has introduced a new bill to improve the governance of airport authorities. FCM agrees in principle, but the bill does not address the responsible and reciprocal relationships that should exist between airport authorities and municipal governments.

Airport devolution was meant to make airports more accountable to the communities they serve. Given the success of the devolution process, there is no policy justification for reversing course. Further, the bill indicates that National Airports System (NAS) airports should recognize regional interests and provide "opportunities for users and the public to express their views on matters respecting airport operations, airport development and fees." The bill's provisions are insufficient. Devolution will be better served if airports are required to coordinate their plans with municipal and regional plans and priorities.

Strategies:

- FCM will urge the Government of Canada to consider the implications of the National Airports Policy and of proposed airports legislation on domestic rates, service levels, airport operations and municipal governments, such as the impact on services and passenger fees at regional airports, the maintenance of airport safety, the off-loading of costs onto the property tax base, the impact on economic development and the long-term viability of airports.
- In addition, the Government of Canada must compel airport authorities to abide by municipal bylaws. As appropriate, FCM will communicate municipal concerns to Nav Canada, Transport Canada and the Canadian Aviation Regulatory Council consultations and will monitor these consultations to ensure that municipal interests are upheld.
- FCM will urge the Government of Canada to reduce airport rents at all NAS airports.
- FCM will urge the Government of Canada to ensure open, competitive service in the airline industry and, where competition is inadequate, to regulate reasonable service and airfares.

Small and Regional Airport Viability

Municipal governments view the problems experienced by divested small regional airports as closely linked to the health and economic viability of their communities. Devolution off-loaded a federal responsibility to municipal governments, an order of government without the fiscal tools or capacity to shoulder that burden. Municipal governments themselves were and are under heavy financial strain.

The restricted eligibility criteria for Airport Capital Assistance Program (ACAP) funding are unjustified. Smaller NAS airports face the same economic challenges as regional airports. Small and remote airports that do not have scheduled passenger service do not have the means to raise funds by taxing passengers, yet maintaining airport infrastructure is critical to the viability of the communities these airports serve. Given the lack of access to capital funding, such airports are also limited in their capacity to attract passenger service and thus raise more revenue. For example, air ambulance service and forest fire fighting are compromised when small and remote airports are closed or left in poor condition.

Strategies:

FCM will urge the Government of Canada to recognize the limitations of the ACAP and expand the eligibility criteria and funding levels to assist small airports and marginal NAS airports that are not eligible for ACAP funding.

Rail Transportation and Rail Freight

Canada's national rail network is an integral part of national transportation infrastructure and is vital to our economic prosperity. Canadian exports represent one quarter of our gross domestic product, and 40 per cent of exports are transported by rail. For businesses, such as resource producers that rely on railways, a loss or even a reduction of rail service increases production costs and lessens their competitive advantage. Canada's future success in international trade depends on its ability to serve markets competitively through all transportation modes, rail included.

In terms of rail freight, FCM supported the reintroduction of Bill C-44 (now known as Bill C-11). As such, last fall FCM tabled a comprehensive submission with the House of Commons Standing Committee on Transportation. The submission encompassed all issues previously raised under Bill C-44. The Committee has made note of our recommendations and municipal leaders from coast to coast appeared in front of the Committee and reiterated our concerns.

As the trucking industry becomes more competitive, rail traffic ends up on highways, leading to rail-line abandonment. This significantly increases cost to municipal governments, which maintain local roads and some highways. The Government of Canada should put measures in place to minimize rail-line abandonment.

Strategies:

- FCM urges the Government of Canada to include stronger municipal compensation and provisions to give municipal governments the opportunity to acquire abandoned rail lines.
- Amendments should also reinstate Canadian Transportation Agency authority to rule on irritants such as noise, vibration and emissions in difficult community–railway disputes. FCM will also work with the Railway Association of Canada on the Community–Rail Proximity Initiative.

Rail Safety

The *Railway Safety Act* recognizes the need to increase safety at railway crossings. FCM supports the provisions in Section 12 that provide for grants of up to 80 per cent of the cost of improving railway crossings. Municipalities will continue to work with the Government of Canada to ensure that crossings are protected with reflective crossing signs, gates and bells, where needed.

Strategies:

FCM will continue to urge the Government of Canada to increase its annual contribution to Transport Canada's Grade Crossing Improvement Program to help implement grade crossing safety regulations.

Passenger Rail

Municipal governments are concerned about the future of passenger rail. Competing modes, such as intercity buses and air transportation, benefit far more from public subsidies than does passenger rail. Yet rail is the most environmentally friendly (in terms of particulate matter emissions) and most energy-efficient mode of passenger transport.

High-speed rail could contribute to the long-term development of Canada's economic infrastructure. It could also provide important spin-offs in the construction and manufacturing sectors. FCM has long supported high-speed rail as a mainstay of a rejuvenated national passenger network.

Strategies:

FCM will urge the Government of Canada to support the creation of high-speed rail in Canada and to maintain adequate funding for freight and passenger rail.

Marine Transportation

FCM generally supports the federal Canada Marine Policy and insists that commitments previously made to municipal governments be respected.

The Government of Canada has been divesting three types of ports to private ownership: Canada Port Authorities, regional/local ports and small-craft harbours. Each plays an important role in the economic development of the municipalities in which they are situated. The Government of Canada is responsible to marine communities and must ensure that these facilities are divested successfully to the benefit of the communities that use them. The Government of Canada must also ensure that the ports continue to meet federal safety standards.

In addition, Canada's national transportation strategy must recognize that ferry service is an essential mode of transportation for many Canadians. As these water routes constitute a marine highway for some communities, the federal government must ensure that the safety, quality and frequency of service are approximate to National Highway System standards.

Strategies:

- FCM will urge the Government of Canada to ensure that port authorities hire their own security services to augment municipal policing or else pay user fees in addition to full property taxes or payments in lieu of taxes if they wish municipal police to assume the role previously played by the Canada Ports Police.
- FCM will urge the Government of Canada to review the criteria for categorizing a port as "a remote port eligible for continued federal funding" and to reinstate operating subsidies, where appropriate.
- FCM will urge the Government of Canada to review its decision to eliminate funding for regional/local ports after they are transferred, taking into consideration the impact on trade, economic development and municipal tax revenues. FCM will urge the Government of Canada to provide sufficient capital assistance funds during negotiations for these ports and to create a new fund for ongoing capital requirements after the transfer.
- FCM will urge the Government of Canada to increase the number of municipal representatives on the boards of directors of Canadian Port Authorities.
- FCM will urge the Government of Canada, in its review of the ports divestiture process, to review the Recreational Harbour Divestiture Program and the Fishing Harbour Rationalization Program to ensure that municipalities are not left without the means to support local fishing, transportation and tourism.
- FCM will urge the Government of Canada, where ferry service is the primary transportation mode, to define essential ferry service as a component of the National Highway System.

Highways

FCM has long called for federal involvement in curing the national infrastructure deficit. Traffic congestion caused by inadequate highway and border infrastructure is a problem for our municipalities and a detriment to our national competitiveness. The condition of the National Highway System (NHS) is of special concern because of its importance to interprovincial and international trade and tourism. FCM recognizes the need for a federal–provincial/territorial program to upgrade and maintain the NHS.

FCM supports programs such as the Strategic Highways Infrastructure Program, the Prairie Grain Roads Program, the Canada Strategic Infrastructure Fund, the Municipal Rural Infrastructure Fund and the Border Infrastructure Program.

Economic gains from infrastructure spending include productivity growth and increases in gross domestic product (GDP). Public infrastructure contributed about 18 per cent of business sector productivity growth from 1961 to 2000. Conversely, infrastructure deficits have a negative effect on productivity and GDP.

In Toronto, the cost of traffic congestion to business could reach $3 billion annually, or 1.3 per cent of regional GDP by 2021. Efficient transportation strengthens economic growth, competitiveness and environmental sustainability. Good transportation systems are critical to competitiveness and provide the foundation on which innovative communities are built. However, inadequate transportation systems slow the movement of goods, increase greenhouse gas emissions and create health and safety problems.

Municipal governments are also concerned about the volume, size and weight of heavy vehicles. Trucks generate much more wear and tear, take up more space on roads and emit more particulate pollutants than cars.

Road traffic safety is of concern to all municipalities and must be considered when developing land-use and transportation plans, as well as road infrastructure.

During the 2006 election, the Conservative Party platform included pledges to do the following:

- negotiate a new infrastructure agreement with the provinces to provide a stable, permanent Highways and Border Infrastructure Fund;
- commit $2 billion over the next five years to highways and border infrastructure, ramping up to $600 million annually by 2010;
- use the new Highways and Border Infrastructure Fund to work with the provinces to improve Canada's National Highways System, with the Trans-Canada Highway as its centrepiece; and
- develop a national Road Congestion Index to track progress in reducing road congestion and work toward reducing congestion levels in municipalities across Canada.

Strategies:

- FCM will continue to urge the Government of Canada to implement and maintain a long-term federal–provincial/territorial National Highway Program.
- FCM will support the measures taken by the Council of Ministers Responsible for Transportation and Highway Safety to establish uniform road and safety standards for interprovincial trucking.

Section C: Telecommunications Policy

Introduction

As the first point of contact between Canadians and government, all municipal governments must have the electronic infrastructure needed to stay competitive, meet the demands of constituents and build a national connectivity strategy.

The Government of Canada is responsible for telecommunications and broadcasting in Canada, but as the order of government closest to Canadians, municipal governments must have adequate electronic infrastructure to stay competitive, meet the demands of constituents and build a solid foundation for a national connectivity strategy.

In today's knowledge-based economy, investment in telecommunications infrastructure is critical to ensuring the long-term sustainability, productivity and economic growth of Canadian communities. The Government of Canada acknowledges the need to pursue an aggressive connectivity strategy that will enable Canada to become a world leader in developing and using advanced information and communications technologies. As part of its "Connecting Canadians" initiative, launched in 1998, the Government of Canada recognized the critical role that municipal governments play in the connectivity network.

Key Principles

Municipal governments play an essential role in developing telecommunications systems. They must work to ensure that reliable, affordable services are available in both urban and rural areas and in all regions. While respecting the Government of Canada's exclusive jurisdiction in telecommunications, federal policy must respect local communities where telecommunications infrastructure is located. Municipal governments must be fully compensated for the costs incurred by telecommunications infrastructure. Federal telecommunications policy objectives should not be achieved by forcing municipal governments to subsidize indirectly our telecommunications infrastructure.

FCM Policies

Broadband

The importance of electronic infrastructure to Canada's rural, remote and northern communities cannot be overstated. The Government of Canada has recognized that broadband Internet access "will provide the infrastructure needed to develop and deliver advanced applications and services that will bring greater benefits to these communities." To support rural, remote and northern development, the Government of Canada must close the information technology divide. FCM will continue to urge the Government of Canada to allocate the resources necessary to connect all Canadian communities to the Internet.

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 and support innovation in all sectors of the economy. In 2002, the Government of Canada announced that the $105 million (over three years) allocated in the December 2001 budget for broadband initiatives would be brought forward to the current year to fund a pilot program. However, some 1,700 small and rural communities comprising almost two million Canadians are still without broadband Internet access.

Strategies:

- FCM will continue to press the Government of Canada to allocate the resources needed to connect all Canadian communities to the Internet.
- FCM will urge the Government of Canada to build quickly on the Broadband for Rural and Northern Development pilot programs to bring broadband access to all rural and remote areas that will not be served by market forces alone. This should include assistance to communities that lack the means to develop viable pilot studies and assessments on their own.

Telecommunications Towers and Antennas

Telecommunications infrastructure is the foundation of advanced industrial societies, but where and how this infrastructure is situated within municipal boundaries is a legitimate concern of municipal governments. In partnership with Industry Canada and telecommunications companies, municipal governments must devise better ways of managing the infrastructure that supports telecommunications.

FCM strongly endorses the 34 recommendations of the Townsend Report on antenna towers. The report was highly critical of Industry Canada's stewardship of the rollout of antenna towers, correctly noting that the current protocol was inadequate to address conflicts between municipalities and telecommunications carriers. Industry Canada has responded positively to the Townsend Report and has sought to redress the imbalance between the need for efficient rollout of telecommunications infrastructure and the legitimate municipal interest in which those towers are located.

A draft Industry Canada protocol has been created that effectively closes the accountability loop for municipal governments. Carriers will now have to comply with municipal protocols for antenna towers. Equally important, municipalities will have equal standing with carriers in appeals before Industry Canada. These actions have rebalanced the relationship between municipalities and telecommunications carriers.

However, Industry Canada lacks compliance powers, short of revoking a spectrum licence. Industry Canada must be equipped with powers to sanction carriers that act without the approval of Industry Canada or of the relevant municipal government. Furthermore, while Industry Canada recognizes that it must be more involved in the process, it has yet to define its role in disputes between carriers and municipalities or in public consultations, particularly when health issues are a concern.

Strategies:

FCM will continue to work with Industry Canada to address the needs of municipalities in telecommunications disputes, particularly on issues related to public consultation and enforcement powers.

Municipal Rights-of-Way

Canadian communities benefit from the services provided by telecommunications providers and broadcasters. However, municipal taxpayers should not subsidize these services, which is what happens when municipal governments are forced to grant access to municipal rights-of-way without compensation. Municipal governments must receive full compensation for the occupancy and use of municipal rights-of-way by telecommunications service providers and broadcasting companies.

Historically, telephone companies in Canada operated as monopolies and were most often treated by regulators as public utilities. They were usually allowed to install their plant on municipal rights-of-way (such as highways, streets, bridges and lanes) and other public lands at no charge or below the cost incurred by municipal governments.

Since the Canadian Radio-television and Telecommunications Commission (CRTC) took over the regulation of telecommunications in 1976, it has gradually introduced telecommunications competition to various markets. In 1993, the new *Telecommunications Act* came into force. With increased competition, new telecommunications service providers (such as telephone and Internet companies) and new broadcasting services (such as cable television) are now also seeking access to municipal rights-of-way.

This increased demand is placing a significant strain on municipal governments as they cope with a number of associated issues:

- rising administrative costs;
- increased traffic disruption;
- accelerated pavement degradation;
- increased exposure to liability;
- less usable rights-of-way space for other essential services, such as water, sewer lines, gas, power and district heating and cooling; and
- the need for recovery of full compensation by municipal governments, including all out-of-pocket costs associated with the use of rights-of-way, as well as the value of the corresponding land.

CRTC Decisions

Following the introduction of competition, telecommunications carriers have relied on the CRTC to interpret the *Telecommunications Act*. Following *Ledcor vs. the City of Vancouver* and *Allstream vs. the City of Edmonton*, the CRTC eroded the power of municipalities to manage their rights-of-ways for the benefit of municipal taxpayers. These decisions reduced municipalities' ability to obtain fees for the occupation of scarce economic space; allowed carriers to appeal to the CRTC to open existing contracts that had been negotiated in good faith; and allowed virtually unrestricted access to all municipal property, not just the "highways and other public places" specified in Section 43 of the *Telecommunications Act*.

FCM appealed these decisions to the Federal Court. However, because the CRTC decisions were narrowly defined (but, contrary to CRTC intent, broadly interpreted), the Federal Court has dismissed the appeals and the Supreme Court of Canada has refused to hear them. However, in what may prove to be a test case, the Federal Court has granted leave to appeal to the City of Edmonton to challenge the CRTC Allstream decision expanding the definition of a public place.

FCM's Policy Response

FCM recognizes that Canadian communities benefit from the services provided by both incumbent and new telecommunications providers, as well as from broadcasting services. It is not the objective of municipal governments to discourage or limit the availability or modernity of such infrastructure. However, municipal governments must manage the occupancy and use of rights-of-way under their jurisdiction in a manner that recognizes and balances the interests of telecommunications service providers and broadcasters with the interests of taxpayers and all other parties using rights-of-way. In addition, if telecommunications and broadcasting services are to be truly competitive, all competitors must fully recognize and bear the costs of providing services, including the rights-of-way costs incurred by municipalities. These competitors must not be subsidized by municipal taxpayers.

In the course of examining rights-of-way issues, FCM has articulated the following five principles, which it believes should guide the relationships between municipal governments and other parties that occupy and use municipal rights-of-way, including telecommunications service providers and broadcasting companies:

- *Management of rights-of-way*: In pursuit of bona fide municipal purposes, municipal governments must be able to manage the occupancy and uses of rights-of-way, including the location of telecommunications and broadcasting facilities, while taking into account applicable technical constraints.
- *Cost recovery*: Municipal governments must recover all costs associated with occupancy and use of rights-of-way by telecommunications service providers and broadcasting companies.
- *Relocation*: Municipal governments must not be responsible for the costs of relocating telecommunications and broadcasting facilities if relocation is required for bona fide municipal purposes.
- *Liability*: Municipal governments must not be liable for losses resulting from the disruption of telecommunications and broadcasting services or from damage to the property of these companies as a result of usual municipal activities.
- *Full compensation*: Recognizing that rights-of-way have value, municipal governments must receive full compensation for the occupancy and use of municipal rights-of-way by telecommunications service providers and broadcasting companies.

Telecommunications Policy Review Panel

On March 22, 2006, the Industry Canada Telecommunications Policy Review Panel released its long-awaited report on the future of telecommunications. The report called for decreased regulatory oversight of the industry and increased regulatory oversight of the municipal sector by the CRTC. FCM has rejected the report's findings and is calling on the Industry Minister to do the same.

Strategies:

FCM will continue to oppose the further erosion of municipal power to manage public rights-of-ways in the interest of taxpayers. FCM is also seeking changes to the *Telecommunications Act* to ensure that this legislation does not constrain the valid use of municipal jurisdiction over rights-of-way and other municipal property.

FCM will propose the creation of a tripartite working group comprising Industry Canada, the telecommunications industry and municipalities to explore new arrangements that would benefit all parties and compensate municipalities appropriately.

FCM will further urge the Government of Canada to amend the *Telecommunications Act* to

- restrict telecom access rights to public highways only;
- insulate municipal road-management functions from CRTC interference;
- clarify the ability of municipal governments to recover all costs, as well as set and charge fees for the use of rights-of-way and municipal property by telecommunications service providers; and
- confirm that the CRTC's dispute-resolution function does not include setting aside or reviewing prior agreements.

FCM is also calling on the Industry Minister to clearly express the municipal interest in municipal rights-of-ways, including municipalities' right to charge for access and to manage valuable public property.

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Standing Committee on Municipal Infrastructure and Transportation Policy

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Federation of Canadian Municipalities
24 Clarence Street
Ottawa, Ontario, K1N 5P3

For more information, please contact:
Gabriel Miller
Senior Policy Analyst
Telephone: (613) 907-6316
Email: gmiller@fcm.ca