

**“INVESTING TO ACCELERATE ECONOMIC GROWTH”**

An overview of the situation

by

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- Good morning, ladies and gentlemen.
- The topic we have just discussed gave us an opportunity to examine the need to set growth objectives for our municipalities if we are to play a leadership role as thriving city-regions.
- But, as we all know, these objectives can only be attained if the necessary ingredients are in place.
- As shown by most studies on the issue, these ingredients include the infrastructures required for the development of our city-regions.
- The accelerated economic growth of Canada's city-regions depends on the following fundamental equation: the quality of the infrastructure in our respective city-regions has a direct impact on our development prospects and on the vitality of our growth as a society.

### **These investments can no be longer put off**

- We have reached a stage today where it is no longer possible to delay making investments in rebuilding infrastructures that, in many cases, have reached the limit of their normal lifespan.
- We must therefore be aware that the taxpayer is already paying additional costs arising from outdated basic infrastructures.
- We just have to think of the cost of buying bottled water as a result of lost confidence in public water treatment facilities, the damage to vehicles caused by the poor condition of roadways, extra costs for repairing buses, etc.
- Each time we put off these investments, we multiply the amount that will be required to rebuild our infrastructures.
- According to the Canadian Society of Civil Engineering, the deficit in municipal infrastructures across Canada continues to grow at an annual rate of \$2.2 billion.
- Adding this amount to the \$2 billion already identified for updating the country's infrastructures means we will have to invest \$4 billion for each year we don't do the required work on our infrastructure.
- In Quebec alone, we would have to invest more than a billion dollars yearly over the next 15 years in renewing the province's basic infrastructures in a sustainable manner.
- There is general consensus among experts as to these figures.

- A study conducted a year ago by the Conference Board of Canada on behalf of the Union des municipalités du Québec (UMQ) confirms earlier evaluations.
- These are sizeable sums of money, so it's no surprise that decisions are long in coming. But they must be made.

### **A concerted effort**

- The need for these investments no longer needs to be proven.
- The city-regions that are thriving are those where a significant portion of the investments made by cities and other economic stakeholders are earmarked for ongoing improvements to basic infrastructures and to supporting economic and social development.
- I make no distinction here between the source of the investment, be it public sector, private sector or a combination of the two through some sort of partnership.
- City-regions across North America must be perceived as dynamic and attractive if they want to be leaders.
- To do so, they must provide efficient services, distinctive facilities and functional municipal infrastructures, whether roads, water supply and treatment systems or public transit.
- In this area, there is much to be done in Canada. In a survey conducted by the Montreal Metropolitan Community, Canada's 22 city-regions clearly showed that the current lack of infrastructure investment was a threat to their continued growth.
- In addition, it requires us to make a concerted effort. We must quickly reach agreements with higher levels of government on new solutions for the updating and sustainable redeployment of our infrastructures.

### **An investment with major benefits**

- With this in mind, we should view infrastructures as an investment rather than as an expense. By investing in infrastructures, we ensure that our regions—and the country as a whole—are more competitive.
- Studies have shown that investing more money in infrastructure has a direct impact on making businesses more competitive and furthering the development of our society.
- According to Statistics Canada, increasing the net value of government investment by \$1 generates average savings of \$0.17 annually for the business sector.

- These savings provide companies with greater financial flexibility to reinvest in state-of-the-art machinery and high-tech equipment, thereby paving the way to innovation and enhanced productivity.
- According to studies, public investments in the order of \$4 billion per year in Canada between 2005 and 2019 would generate savings of more than \$80 billion for companies.
- If we take the example of the Montreal Metropolitan region to illustrate how these savings would be reflected in a city-region, public investments of \$600 million per year over a 15-year period would mean that companies would save more than \$10 billion.
- Given the size of these amounts, we can easily imagine the benefits this would mean for the overall economy and the creation of wealth for all Canadians.

### **A vision shared with higher levels of government**

- Fortunately, we have made considerable progress in this area in recent years.
- First of all, shared-cost programs over the past six or seven years slowed the mounting deficit that was accumulating in the area of infrastructures.
- Still, at best, these programs covered a maximum of one third of the annual investment needed to update infrastructures.
- In parallel, we continued our efforts with numerous stakeholders in the field.
- I'd like to mention the efforts made in the past five years by the Quebec Coalition for the Renewal of Infrastructure, an organization in which Union des municipalités du Québec and the Fédération québécoise des municipalités are actively involved.
- The Coalition used every possible public forum, including pre-budget hearings in Quebec City and Ottawa, to advocate a joint, long-term program involving municipalities and the government for the renewal of basic infrastructures.
- In addition, the Canadian Federation of Municipalities took steps toward reaching a new agreement with higher levels of government that would encourage municipal-government and public-private partnerships.
- It is continuing its efforts to obtain additional annual revenues of \$2.5 billion from higher levels of government to make essential investments in infrastructure and public transit.

- We are starting to see the results of our awareness-raising activities and efforts to promote the need for a strong push to rebuild our urban infrastructure, aimed at stakeholders and various levels of government.
- In the Throne Speech presented in the House of Commons in February 2004, the federal government announced that renewing infrastructures would be among its priorities.
- It mentioned the government's determination to set up a new pact with Canada's municipalities and announced a number of initiatives, including reimbursing the GST in its entirety to the municipalities.
- During the next decade, this measure should provide Canada's municipalities with a new, stable source of funding in the order of \$7 billion.
- The federal government also announced its intention to cooperate with the provinces to share a portion of the gasoline tax revenues with the municipalities or to find other funding mechanisms.
- The Prime Minister reiterated the government's support to municipalities at the most recent congress of the Canadian Federation of Municipalities.
- On this occasion, he explained that he would be making \$2 billion available to the municipalities from the excise tax on gasoline, which would be paid out over five years.
- He is also considering negotiating separate agreements with the provinces between now and the end of 2004.
- The Prime Minister also made a commitment to look at diversifying sources of revenue, more specifically, those associated with the rhythm of the economy.
- This type of commitment is also included in the election platforms of the main federal political parties. Other initiatives have been launched on a provincial level.
- In its most recent budget, the Quebec government announced that it would fund the development of local infrastructures through the newly created Corporation de financement des infrastructures locales du Québec.
- This Corporation could channel funds for infrastructures from both the federal and provincial governments.
- As of 2005, it would be partially funded by a new surtax on gas-guzzling vehicles. This could be a promising new source of revenue.

- All of these initiatives indicate that we have made considerable progress with respect to where we were in the past, and they are very encouraging.
- But—and I repeat—in their current form, they are not a sustainable solution.
- They need to be fine-tuned so that municipalities—and even more so, our city-regions—can truly become a driving force in growing Canada's economy.
- This is what we should be reflecting upon today, as we come together to identify avenues that will enable our city regions to grow and to become more competitive and attractive.

### **Reaching a consensus**

- The time has come for us to pool our ideas. We need to identify solutions and new programs that will allow us to update our infrastructures in a sustainable manner and increase the vitality of our city-regions..
- Can we agree upon a minimum municipal contribution to a permanent infrastructure program? The MMC is proposing a 15% contribution?
- Can we find an equitable formula for sharing the balance to be covered by the provincial and federal governments?
- I now invite you to discuss these and many other questions.
- We have made considerable progress on this question in the past few years.
- I am convinced that our meeting today will enable us to take another step forward in this important debate.
- A solution that could be applied in the near future now appears to be within reach.
- Thank you for being such an attentive audience.