Policy Statement
# Municipal Infrastructure and Transportation Policy

## MUNICIPAL INFRASTRUCTURE

Municipal infrastructure provides the foundations on which our economy rests. Businesses need good roads and safe bridges to deliver goods and services. Commuters need fast, efficient transportation networks to get to work. And growing companies count on high-quality community services to attract skilled employees.

Canadians know that a good quality of life relies on local infrastructure, and expect a partnership between all orders of government to improve their communities. This starts with making predictable, sustainable and long-term investments in local infrastructure — essential roads, bridges and water services, as well as highly valued municipal cultural and recreational facilities.

Canada's municipalities have consistently demonstrated their ability to get shovels in the ground quickly on major infrastructure renewal. With a renewed federal partnership, we can address the urgent need for reinvestment in existing road and water networks, while building the new transportation links and community infrastructure so essential to a prosperous and sustainable future.

Municipal infrastructure projects are planned, developed and financed over decades and municipalities have historically funded the largest share of capital costs for these projects. Municipalities own approximately 60 per cent of Canada's core public infrastructure — roads, bridges, transit, water, wastewater, culture, and sports and recreation — while the federal government owns less than 2 percent of core public infrastructure. Long-term, predictable and dedicated infrastructure funding mechanisms like the permanent and indexed federal Gas Tax Fund are essential to renewing and expanding the core municipal infrastructure that is necessary to support the competitiveness and prosperity of our communities.

### Key Principles

### Municipal Infrastructure and the Economy

Strengthening infrastructure together builds Canada. Each $1 billion invested generates up to $1.65 billion in economic growth[1]. At the same time, we're boosting national productivity, cutting GHG emissions, and building more livable, competitive communities to drive Canada's future prosperity. Municipalities are uniquely accountable to residents' needs, and we deliver cost-effective local solutions with national impact. This is the core value we bring to our partnership with the federal government. But with access to just 8-10 cents of the tax dollar, and with a growing array of public services to provide, what we do not bring is fiscal flexibility.

Even with one-third federal and provincial capital contributions, municipalities have borne up to 80 per cent of an asset's full lifecycle costs — from planning through operations. And unlike federal and provincial governments, we recover little of that investment through higher tax revenues. This fiscal reality limits municipalities' ability to move good projects forward.

Property taxes alone can no longer support the growing operating budgets of local governments on the forefront of our most pressing national challenges. Across the country, many are ready to champion responsible measures to grow and diversify municipal revenues. And we're ready to work with our federal and provincial partners toward sustainable solutions for Canada's next 150 years.

[1] Finance Canada, Canada's Economic Action Plan: A Seventh Report to Canadians, 2011.

## Municipal Infrastructure and the Environment

FCM’s member municipalities contribute significantly to meeting Canada’s environmental goals by, for example, reducing energy consumption, encouraging public transit, and reducing the amount of waste sent to landfills.

Municipalities could make an even greater contribution to meeting these goals as part of a national plan with national coordination. Efforts to engage the municipal sector in meeting broad national environmental goals, such as FCM’s Green Municipal Fund™, are producing results. Budget 2016 reinforced the federal government’s support for cutting-edge local innovation by investing an additional $125 million in FCM’s Green Municipal Fund. However, more is required to meet Canada’s environmental challenges and tap the full potential of our cities and communities. The federal government has a clear opportunity to work with municipal governments by adopting a strategic, integrated approach to achieving environmental goals. Municipal governments are hampered in their efforts by a lack of resources and fiscal tools. They are struggling to build and maintain the infrastructure their communities need while tackling environmental problems. Increased federal engagement and support would help municipalities contribute more toward meeting national environmental goals.

## Adapting to Climate Change

Canada’s cities and communities are increasingly vulnerable to the effects of climate change. These changes concern all Canadians but municipal governments must deal with the current and potential impacts of climate change on their infrastructure. Municipal assets, such as roads and bridges, water and wastewater systems, and coastal infrastructure will be affected by climate change. Much of Canada’s municipal infrastructure is approaching the end of its service life, and the additional stress of extreme weather associated with climate change will accelerate its deterioration and increase the likelihood it will fail. Action is needed, but municipal governments lack the resources to plan for and respond to the effects of climate change on their communities. What is needed is a nationally coordinated strategy, supported and led by the federal government.

FCM is calling on the federal government to help build climate-resilient communities through dedicated investment in local climate change adaptation projects — including extreme weather adaptations (e.g. dams, dikes, wetland acquisition/preservation, seawalls, snow/wind load enhancements, sewer network retrofits, surface water storage capacity, permafrost adaptations) and infrastructure incorporating natural and semi-natural elements (e.g. extended tree canopies in parks or natural grassland extensions).In Budget 2016, the federal government began to address this challenge, by announcing funding of $75-million, to be delivered through FCM, to help Canadian municipalities to better prepare for and adapt to the new realities of climate change, as well as to reduce greenhouse gas emissions. The Municipalities for Climate Innovation Program is a new five-year program that will improve the ability of municipalities to make greener infrastructure decisions going forward.

## Asset Management and Infrastructure Data

The 2016 Canadian Infrastructure Report Card revealed a fundamental gap in Canada’s approach to infrastructure management. We lack a rightsized approach to evaluating the impact of investments on our economic renewal, quality of life and low-carbon goals. There is a clear opportunity here for a capacity-building and infrastructure innovation resource — to manage performance objectives and coordinate the range of local actors. Getting this right will be key to maximizing the transformational potential of the government’s investment in our communities.

Budget 2016 began to address this challenge by proposing a new $50 million capacity-building fund to support the use of asset management best practices across Canada. This dedicated funding delivered through FCM’s new Municipal Asset Management Program will allow municipalities to improve their long-term planning through enhanced asset management capacity building. Asset management planning and practices support municipal infrastructure innovation over time, and are indispensable to assist municipalities to make optimal infrastructure investments decisions.

The 2016 federal budget also committed Infrastructure Canada to work with Statistics Canada to improve infrastructure-related data on the state and performance of public infrastructure assets for all orders of government. FCM is working closely with Infrastructure Canada and Statistics Canada on this important initiative.

**Municipal Wastewater Management**

An added pressure on municipal infrastructure budgets is the introduction of new federal wastewater-treatment requirements. Municipal governments recognize that greater attention must be paid to wastewater management in their communities. The approach outlined by the Canadian Council of Ministers of the Environment (CCME) demonstrates a clear understanding of the need for improved performance and for investment in Canada's water and wastewater infrastructure. In March 2010, the Government of Canada gazetted the federal Wastewater System Effluent Regulation (WSER) under the authority of the *Fisheries Act*. The intent of the regulation was to establish a legal framework so that municipalities and other operators of wastewater systems would have clear direction on the future performance requirements of wastewater systems.

FCM agrees with the fundamental objectives of the WSER and the Canada-Wide Strategy. The requirement that municipal wastewater facilities achieve the equivalent of secondary treatment is an ambitious but necessary step to protect human health and the environment from potentially harmful substances. However, municipal governments cannot afford the cost of both existing needs and the new requirements. The cost of meeting the direct and indirect costs of these new requirements could easily exceed $18 billion over the next three decades, with at least $3.4 billion of those costs being incurred before 2020. The only way municipalities could fund these costs would be to divert money from other infrastructure needs.

Budget 2016 was an important step forward in addressing this challenge. The budget included $2 billion in dedicated funding over four years for water and wastewater. The Clean Water and Wastewater Fund will help municipalities keep their communities safe and healthy, meet federal regulations, while also contributing to improvements to Canada's overall environmental performance. FCM will continue to work with the federal government on key design elements of the next phase of funding for green infrastructure. In particular, FCM will continue to call for these funds to support other environmental quality projects at the local level, in particular municipalities required to meet the high-risk (2020) and medium-risk (2030) deadlines under the federal wastewater regulations, building on the successful investments under Phase 1.

While most municipalities subject to new requirements will agree that improvements in wastewater treatment are necessary, the pressure to respond to these and other demands remains. FCM continues to meet with senior officials at Environment Canada and Infrastructure Canada, as well as their Ministers, to ensure that sufficient federal funding accompanies these once-in-a-generation requirements.

## FCM Policies

### INFRASTRUCTURE FUNDING AND PROGRAMS

*Municipal infrastructure projects are planned, developed and financed over decades. Funding infrastructure projects in five-year increments and through ad hoc, unpredictable announcements limits their effectiveness and size. Long-term, predictable and dedicated infrastructure funding is needed to provide a strategic framework for ongoing infrastructure investments.*

During the past 20 years, as successive federal and provincial governments off-loaded responsibilities to municipal governments and cut transfer payments, municipal governments were forced to assume many new and unfunded responsibilities. This off-loading, combined with limited municipal revenue, created a chronic fiscal shortfall, as local governments struggled to meet growing responsibilities they could not afford. The result has been growing national municipal infrastructure deficit and a backlog of infrastructure nearing the end of its service life.

Beginning in 1993, the Government of Canada responded to this deficit by investing in municipal infrastructure through a variety of programs. While welcome, the short-term, ad hoc approach to the investments made planning difficult. In 2002, FCM called for the transfer of a portion of the federal gas tax to municipal governments to provide stable, predictable funding and support sound planning. The five-year federal Gas Tax Fund was introduced in 2005. In response to FCM's call for an ongoing federal revenue-sharing arrangement, the Government of Canada committed to legislating a permanent annual investment of $2 billion in municipal infrastructure through the Gas Tax Fund in Budget 2011, and in 2013, a 2 percent index was applied to the Gas Tax Fund to protect against inflation. Municipalities need adequate, predictable and stable revenue; the permanent Gas Tax Fund is one of the first national programs to meet those criteria.

In 2007, the Government of Canada launched the Building Canada Plan (BCP), which included a $33-billion investment plan for federal, provincial/territorial and municipal infrastructure over seven years. The BCP set a new standard for long-term, federal infrastructure planning. Spending was accelerated under the Government of Canada's stimulus program in 2009 and 2010, and the program provided an important reference point for the future of the Government of Canada's infrastructure funding. In Budget 2011, the Government of Canada announced a process to develop a new long-term infrastructure plan (LTIP) to replace the BCP, as it was set to expire in 2014. This process resulted in the New Building Canada Plan, a 10-year plan for federal investments in building and maintaining Canada's infrastructure, with the indexed Gas Tax Fund transfer and a $14-billion application-based New Building Canada Fund as core elements.

Budget 2016 was a turning point in federal-municipal relations. The federal budget included infrastructure investments in the short-term to drive jobs and economic growth, address immediate infrastructure needs in communities, and provide a starting point for longer-term, strategic investments in green infrastructure, social infrastructure and public transit. It reaffirmed the government's plan to invest $60 billion in new infrastructure spending over ten years, and confirms the details of the first phase of the infrastructure plan. The budget also marked a significant change in the federal government's approach to infrastructure program design including cost-sharing and eligible costs. Budget 2016 included a transformative commitment to increase the maximum federal contribution to 50 per cent of eligible costs for projects funded under new infrastructure programs.

In November 2016, Finance Minister Bill Morneau provided an economic update in the House of Commons. The Fall Economic Statement outlined the full funding framework for the government's long-term infrastructure plan, totaling $81 billion over 11 years, a significant increase from the $48 billion over eight years previously set aside for Phase 2. These steps build on the Phase 1 investments announced in Budget 2016. The Fall Economic Statement focused on the government's plan to make "new and innovative" investments in the country's future, including significant investments in infrastructure and technology. These measures respond to FCM's direct engagement of the federal government on the need for long-term and predictable infrastructure funding, and the importance of federal-municipal partnership to deliver programs and investments that will help local governments address national challenges.

Despite these investments, there remains a need for additional long-term, predictable and dedicated funding for strategic municipal infrastructure investments, as well as increased transparency around the process for allocating application-based funding and clear commitments to local projects commensurate with local governments' approximately 60% ownership share of Canada's public infrastructure.

The federal government must work with provincial, territorial and municipal governments to:

(1) develop a comprehensive picture of the size, scope and nature of the municipal infrastructure deficit; and

(2) commit to long-term, predictable and dedicated infrastructure funding to eliminate the municipal infrastructure deficit and fix the underlying fiscal imbalance that causes the deficit

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

- ***Drinking water:*** Canadians' high water consumption, combined with water lost due to leaks 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 predictable and long term federal assistance.

- ***Wastewater treatment:*** Problems with municipal wastewater treatment include lack of sewage collection and/or treatment systems; inefficient systems; outdated treatment plants unable to cope with new pollutants; obsolete and costly infrastructure; and outdated monitoring, reporting and evaluation tools. In addition, the cost of meeting the direct and indirect costs of new federal wastewater requirements could easily exceed $18 billion over the next three decades. The only way municipalities could fund these costs would be to divert money from other infrastructure needs.

- ***Municipal roads and bridges:*** Deteriorating roads and bridges harm the quality of life in many communities while compromising economic competitiveness and productivity. Investment in projects to rehabilitate existing roads and build new ones is essential to safety, mobility and economic vitality, particularly in rural, remote and northern communities. Improvements typically lead to lower operating costs for all users, such as better fuel efficiency, less vehicle-generated wear, and reduced commute and transportation time.

- ***Community and social infrastructure:*** For municipalities, all physical assets are infrastructure, including parks, playgrounds, libraries, affordable housing, and museums. Eligibility requirements for targeted federal infrastructure programs and priority investment areas for the Gas Tax Fund tend to skew municipal decisions, 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 infrastructure adds to the competitiveness and quality of life of all communities.

- ***Sport and recreation infrastructure:*** Municipalities provide most of the facilities that Canadians use every day to stay physically active and engaged in their communities. Sport and recreation infrastructure is an important local priority for targeted investment programs, particularly as municipalities work to keep seniors physically active, respond to growing obesity among young people, and provide constructive alternatives for at-risk youth.

- ***Climate change:*** FCM recommends that the federal government work cooperatively with municipal governments on an integrated, strategic approach to climate change mitigation and adaptation.

- ***Urban revitalization:*** If they are to succeed, municipalities must provide neighbourhoods and downtowns that are attractive places to live, work and play. To attract people and investment, municipal governments are increasingly required to respond to problems, such as distressed neighbourhoods and high crime rates. Municipalities must also invest in their downtown infrastructure, particularly through the creation of streetscapes and cultural facilities that enhance the urban fabric.

- ***Urban forestry:*** The urban forest was once an integral component of civic infrastructure and was treated as a high-priority investment, but this has been neglected in recent decades. Cities that have invested in urban forest practices, particularly streetscapes, have benefitted greatly. FCM considers urban forestry practices an integral component of municipal infrastructure.

**Strategies**

FCM will continue to urge the Government of Canada to:

- Work with provincial, territorial and municipal governments to provide long-term, predictable and dedicated funding to address municipal infrastructure needs and support improved economic competitiveness, productivity, sustainability and quality of life;

- Develop new long-term infrastructure programs alongside the provinces and territories;

- Commit to a longer-term extension of federal infrastructure programs;

- Develop more streamlined and faster approval processes, and greater coordination and consistency between federal and provincial infrastructure funding programs;

- Favour long-term, predictable public funding as a general principle for infrastructure investment — empowering local governments to plan, consult, tap expertise and drive projects forward. This is generally best achieved with allocation-based investment;

- Build maximum flexibility into stacking rules — empowering municipalities to pool funds from multiple federal sources to reach their allotment for cost-shared infrastructure projects (retaining at least 50 per cent stacking in provinces and 75 per cent in territories);

- Align Phase 2 Social, Transit and Green components to reinforce and expand the level of funding available for complementary projects (e.g. energy efficiency retrofits to social housing and other buildings, or greening of municipal fleets and transit systems);

- Expand eligible costs for Phase 2 infrastructure programs and beyond, to better support long-term strategic investments by all orders of government. These should include:
    - Design and planning costs;
    - State-of-good-repair costs;
    - Land acquisition, real estate and related property costs;
    - Debt financing charges; and
    - P3-related upfront costs;

- Design the new Rural and Northern Communities Fund to support the capital priorities of local governments, including roads and bridges, culverts, water and wastewater treatment, septic system upgrades and a full range of transportation and mobility needs;

- Apply a rural lens to all Phase 2 program eligibility criteria to reflect fiscal limitations and sparse populations, with the aim of enhancing local economic development;

- Provide predictable funding to support local governments with the implementation of the federal wastewater regulations, including prioritization of facilities deemed high-risk and requiring upgrades before 2020; and

- Partner with 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.

## TRANSPORTATION POLICY

### Introduction

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

The Government of Canada is responsible for interprovincial transportation, while provincial and territorial governments are responsible for intraprovincial 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 multimodal national transportation policy that involves all interested stakeholders and incorporates an appropriate balance of public-sector responsibility with private-sector support.

## Key Principles

Canada's cities and communities are hubs of economic activity, social and environmental innovation. They compete for the world's top talent and foreign investment needed to boost Canada's productivity and prosperity. Be they remote communities in resource rich regions, or densely populated metropolitan areas, municipalities in Canada depend on a reliable, well-designed and safe national transportation system.

While transportation policy is a shared responsibility between Canada's three orders of government, changes to national transportation policy inevitably have impacts throughout the system. All orders of government must work together to develop a rational, coherent, regionally sensitive and multimodal transportation system that involves all interested stakeholders and incorporates an appropriate balance of public-sector responsibility and private sector support.

Important issues include the long-term survival of divested facilities and services; the diminution of safety when existing regulations are inadequate for the new competitive environment; the provision of adequate 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 that 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 actively promote fair pricing and enhanced service by carriers serving captive market communities.

The 2016 Fall Economic Statement deepened the federal government's commitment to a renewed transportation system, with a new 11-year Trade and Transportation Infrastructure Fund. A comprehensive investment plan will support regional projects of national significance, with a balance of public-sector responsibility and private-sector support. But it must also include predictable public funding for municipal projects, including key arterial roads, linking cities and communities into trade-enabling gateways and corridors. New investment is also vital for rural, northern and remote communities that may rely on a single transport mode. Their inclusive economic development will depend on strengthening local infrastructure including deep sea ports, railways, highway extensions and regional airports. The large number of northern and remote airports with unpaved runways contributes to the high cost of living in Canada's North and should be a priority for Phase 2 investments.

## 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 traffic congestion and pollution, urban transit systems reduce the number of cars on the road and GHGs. However, the significant capital and operating revenue required by urban transit systems cannot be met through local property taxes and transit fares alone. What is needed is a long-term plan by the Government of Canada to fund public transit.*

It's no coincidence that some of the most dynamic cities in the world — those that are great places to live and engines for their national economies — have some of the very best rapid transit systems. Canada's local governments are committed to reducing congestion and increasing transit options — a real triple win for the economy, for Canadians quality of life and for the environment.

With a strong federal partner and predictable funding, cities of all sizes — from small-to-medium centres to our largest urban regions — will make major investments in new transit connections and in renewing existing transit networks.

Canada's cities own, operate, and maintain most of Canada's public transit systems, and are partners with provincial governments in building effective regional transit systems. Municipalities have historically provided the largest share of government funding for the capital costs of expanding and renewing local transit systems. Cities subsidize transit operating costs not covered by fare box revenue through property taxes and other local revenues.

A strong federal-municipal partnership is crucial to expanding and reinvesting in transit services to address congestion and rapid population growth, and improve mobility in communities of all sizes.

The 2006 federal budget extended to four years a $1.3-billion fund dedicated to transit, first launched in Budget 2005. This fund expired in 2008, leaving no dedicated federal transit funding available to municipalities. Transit is eligible for funding under both the Gas Tax Fund and the NBCF, but within these envelopes it must compete with a wide range of other infrastructure priorities. The primary challenge facing transit systems is the unpredictability of federal assistance and the consequences of that unpredictability for long-term capital investment in urban transit.

Budget 2016 responded directly to FCM's request for predictable and dedicated investments in public transit by committing $3.4 billion over three years to fund new public transit projects, as well as the repair and renewal of existing transit infrastructure. The federal government will fund up to 50 per cent of eligible costs including repair and refurbishment of existing systems and planning for expansion projects. This funding is being delivered to existing transit systems, with funding based 100 per cent on existing ridership. Eligible costs were also expanded to include design, engineering, and other planning costs not currently eligible for federal funding.

In Budget 2006, the federal government introduced a non-refundable, public-transit tax credit for the cost of monthly transit passes. Budget 2007 strengthened this measure by extending the tax credit to accommodate electronic payment cards and weekly passes used to pay for transit for at least one month.

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 will urge the federal government to:

Work with FCM to build a long-term funding plan as part of Phase 2 of the government's infrastructure plan for public transit that meets the needs of Canada's cities, supporting municipal priorities for both major transit expansions and investments in state of good repair in communities of all sizes. This plan should:

- Optimize Phase 2 of the Public Transit Infrastructure Fund to build the next generation of efficient, growth-supporting public transit in communities across Canada, directing the full value of the fund to municipalities with transit systems;
- Commit to an allocation-based investment model, building on the success of this approach in Phase 1, recognizing that predictable funding empowers local governments to plan, consult, leverage local expertise and move strategic transit projects forward;
- Work with FCM to develop an allocation formula that enables cities to realize large-scale, transformative transit projects — while ensuring that transit-providing communities of all sizes are included in this nation-building project;
- Develop an additional mechanism, in consultation with FCM, to support transit ridership-growth and system-expansion goals that cannot be achieved through the allocation-based investment model alone;

- Maintain a 50 per cent federal contribution to lifecycle capital costs of transit projects — with provinces contributing no less than their traditional 33 per cent share — to ensure that strategic projects can move forward in communities of all sizes;

- Define project eligibility to encompass both state-of-good-repair projects and transit expansions — and expand cost eligibility to include land acquisition, financing and P3-related costs, while extending the Phase 1 decision to include design and planning costs;

- Build maximum flexibility into stacking rules, allowing municipalities the local discretion to pool Public Transit Infrastructure Fund investments with other federal funding sources to move projects forward; and

- As a general principle for transit investment, empower municipalities to direct funds to locally-identified priorities based on local data and expertise, supporting evidence-based asset management and capital planning practices.

- Work with local governments to ensure a streamlined and faster approval process and coordination between federal and provincial programs for transit and other major infrastructure investments.

- Remove the existing restriction on stacking multiple sources of federal funding for transit and other infrastructure projects.

- Make employer-provided transit passes a non-taxable benefit.

- Enforce existing income-tax provisions relating to employer-provided parking spaces.

**AIR TRANSPORTATION AND AIRPORTS**

*The Government of Canada must do what is necessary to achieve an efficient and effective air policy in Canada. The national transportation policy must ensure adequate and affordable air services that support 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 has repeatedly stated that airport devolution was meant to make airports more accountable to the communities they serve. This goal 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 impact of the National Airports Policy and of future proposed legislation on domestic rates, service levels, airport operations and municipal governments. This includes the impact on services and passenger fees at regional airports, the maintenance of airport safety, the off-loading of airport costs to 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 Transport Canada and will monitor future developments to ensure that municipal interests are upheld.

- FCM will urge the Government of Canada to reduce airport rents at all National Airport System (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 National Airports System (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 ACAP's limitations and expand its 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 vital to our economic prosperity. Exports account for 30 per cent of Canada's GDP, and 50 per cent of exports rely on rail transportation. 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, including rail.*

In 2007, FCM supported the reintroduction of Bill C-44 (now known as Bill C-11: *Amendments to the Canada Transportation Act*). As such, that same year 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 took 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, goods formerly moved by rail traffic are carried by truck, 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.

Railway freight traffic is a growing safety and congestion concern for municipalities. Announced in 2016, the government's Rail Safety Improvement Program was a welcome start at addressing this issue. But as regional infrastructure upgrades increase railway traffic, additional investment will be required to grow local network capacity, particular at grade-level crossings in our communities.

**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.
- Dedicate federal infrastructure funding to municipal transportation infrastructure projects that improve access to strategic trade gateways and corridors — and that empower local governments to manage the effects of growing traffic, especially rail, through their communities.

### *Rail Safety*

Railway operations have a daily impact on cities and communities across Canada. Over time, a number of municipal railway concerns have emerged involving, among other issues, noise, vibration, pollution and safety, in particular related to the transportation of dangerous goods by rail.

FCM has been active in its efforts to deal with these concerns. FCM has a Memorandum of Understanding with the Railway Association of Canada, originally signed in 2003 and renewed on an open-ended basis in 2009, to help prevent municipal-railway disputes and to support dispute resolution where conflicts have already emerged or are emerging. At the same time, FCM has continued to urge the federal government to develop railway policies that protect local communities and respect municipal interests.

FCM has repeatedly submitted recommendations to the federal government on municipal railway issues. These recommendations include:

- Clarifying roles and responsibilities between Transport Canada, the Canadian Transportation Agency, railways, local governments and other outside agencies;
- Ensuring that railway operators: (1) work with municipalities to ensure that emergency plans are designed to address possible hazards that could occur; (2) inform municipalities about the types of dangerous goods that are transported through their communities; and (3) inform municipalities of accidents that may affect their communities;
- Ensuring that municipalities are compensated for any local resources involved in responding to railway emergencies;
- Requiring railway operators to work with local governments to determine appropriate and safe speeds for trains, particularly in residential areas;
- Clarifying roles and responsibilities of various agencies responding to a railway emergency;
- Requiring that the Government of Canada and railway operators provide funding for infrastructure, such as fencing at critical locations and improved grade crossings. FCM supports the new federal Grade Cross Regulations and will continue to work with the federal government to increase funding for crossing upgrades through programs like the Grade Crossing Improvement Program and the Rail Safety Improvement Program which caps municipal contributions at 12.5 percent of project costs.

Following the tragic derailment and fire in Lac-Mégantic in July 2013, FCM's National Municipal Rail Safety Working Group and the National Board of Directors identified three priority areas that must be addressed in order to improve safety and reduce risks to our communities:

- Equip and support municipal first responders to rail emergencies, by mandating information sharing with municipalities, improving joint training and coordination and requiring Emergency Response Assistance Plans for all flammable liquids such as crude oil and ethanol;
- Reduce safety risks related to the transportation of dangerous goods by rail; and
- Prevent downloading of rail safety emergency costs to local taxpayers, by mandating appropriate insurance requirements for Canadian railways and shippers.

In 2015, the Government of Canada announced new legislation to improve rail safety and the transportation of dangerous goods in Canada. Key elements of the legislation respond directly to concerns raised by FCM's National Municipal Rail Safety Working Group related to insurance and liability, information sharing and Transport Canada's oversight of federal railways. Bill C-52 is an important step forward in improving the safe transportation of dangerous goods by rail. The changes to insurance requirements for railways and a new levy for crude oil shippers, in particular, will address an important concern of municipalities and prevent the downloading of rail safety and emergency response costs to local taxpayers. FCM will continue to discuss with Transport Canada the need to expand this levy to other dangerous goods shippers in the future.

Transport Canada also announced the creation of a multi-stakeholder Emergency Response Task Force (ERTF). The ERTF is responsible for assessing and recommending improvements to the ERAP program. FCM has been involved as a member of the ERTF to ensure municipal concerns are addressed in the Task Force's recommendations. Transport Canada's Emergency Response Task Force released its final report and recommendations on December 29, 2016. A total of 40 recommendations were made and considered with more than 50% of them already completed. FCM's advocacy on these important issues has been guided by the essential work undertaken by the ERTF and our expectation is that the Task Force's recommendations are fully implemented in close consultation with municipalities while aligning with local realities.

**Strategies**

FCM will:

- Urge the Government of Canada to adopt FCM's recommendations (above) for addressing municipal railway issues, especially related to the transportation of dangerous goods;

- Advocate for the timely implementation of the Emergency Response Task Force's recommendations in close consultation with municipalities while aligning with local realities;

- Call on the federal government to fully consider municipal concerns and perspectives in the statutory review of the *Railway Safety Act;*

- Continue to urge the Government of Canada to increase federal funding to help implement grade-crossing safety regulations either through existing programs or the new Trade and Transportation Infrastructure Fund; and

- Continue to work with the Railway Association of Canada on the Community Railway Proximity initiative.

***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 emissions) and most per capita energy-efficient mode of passenger transport. Passenger rail is essential to economic prosperity in many regions where air and road access are limited.

Although there have been significant investments in passenger rail infrastructure in recent years, more work must be done to maintain and improve rail service and frequency across Canada; in particular to support regional economic development needs. 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 rail network.

**Strategies**

- FCM will urge Via Rail to maintain and improve rail service and frequency across Canada and to consult FCM on major service changes that could affect its members.

- FCM will advocate for the federal government to work with local governments to improve passenger rail service and frequency across Canada through dedicated funding for service improvements and to further integrate passenger rail services with municipal transit systems.

- FCM will urge the Government of Canada to support development 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 but insists that the Government of Canada respect commitments made to municipal governments where local transportation requirements are impacted by potential changes to federal regulation.*

The Government of Canada has been divesting three types of ports: Canada Port Authorities, regional/local ports, and small-craft harbours. Each plays an important role in the economic development of the municipalities where they are located. 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.

Derelict and abandoned vessels fall within the jurisdiction of the Minister of Transport, and the disposal of these vessels poses a significant expense to municipalities. Such vessels can also negatively impact other municipal operations, including municipal beaches or harbours, as well as tourism and economic development in coastal areas. The federal government must recognize the need for a disposal program for these vessels. In November 2012, Transport Canada published a study on the extent of abandoned and derelict vessels in Canada. The study concluded the presence of abandoned and derelict vessels is an issue that is being addressed by a growing number of municipalities and that the removal of these vessels is costly and requires significant technical resources. The study recommended relevant legislative and regulatory tools and gap analysis to identify all responsible federal, provincial and municipal authorities, as well as potential sources of funding to remove abandoned and derelict vessels.

### Strategies

- FCM will urge the Government of Canada to ensure that Canadian Port Authorities hire security services to assume the role previously played by Canada Ports Police, or pay for municipal police services through user fees in addition to paying full property taxes or making payments in lieu of taxes.
- FCM will urge the Government of Canada to ensure that Canadian Port Authorities consult municipalities on land use and service changes at port facilities.
- 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, in locations where ferry service is the primary transportation mode, to define essential ferry service as a component of the National Highway System.

- FCM will urge the Government of Canada to proceed with recommendations from the November 2012 Transport Canada Study and establish an Abandoned and Derelict Vessel Program.

**HIGHWAYS**

*Traffic congestion caused by inadequate highway and border infrastructure hurts municipalities and our national competitiveness. The condition of the National Highway System (NHS) is of special concern because of its importance to interprovincial and international trade, as well as tourism. FCM recognizes the need for a federal-provincial/territorial program to upgrade and maintain the NHS.*

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 are harder on roads, use more road capacity, and emit more particulate pollutants than automobiles. 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.

In Budget 2007, the Government of Canada announced a seven-year, $33-billion Building Canada Plan. Several programs within this plan provided funding for highways and border crossings. In Budget 2013, the Government of Canada announced its New Building Canada Plan, a 10-year plan for steering $53-billion in federal investments in building and maintaining Canada's infrastructure, including highways and local roads. The 2016 Fall Economic Statement deepened the federal commitment to transportation infrastructure, with a new $10-billion 11-year Trade and Transportation Infrastructure Fund. However, the need remains for long-term, predictable and dedicated funding for Canada's highway system.

**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.

**TELECOMMUNICATIONS POLICY**

**<u>Introduction</u>**

*Investment in telecommunications infrastructure is critical to ensuring the long-term sustainability, productivity and economic growth of Canadian communities. While the federal government has jurisdiction over telecommunications, municipal governments play an essential role in telecommunications systems. Federal policy must respect the communities where telecommunications infrastructure is located, and municipal governments must be fully compensated for the costs related to telecommunications infrastructure in their community.*

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 is responsible for telecommunications in Canada, but as the order of government closest to Canadians, municipal governments must have the telecommunications infrastructure needed to serve their constituents and help keep their communities competitive.

While the federal government has exclusive jurisdiction over telecommunications, federal policy must respect the communities where telecommunications infrastructure is located, and municipal governments must be fully compensated for the costs related to the presence of this infrastructure in their municipal rights-of-way. The federal government must also continue to play an active role in ensuring all communities have timely, accessible and reliable access to broadband.

## FCM Policies

### TELECOMMUNICATIONS TOWERS AND ANTENNAS

*Telecommunications infrastructure is essential to advanced industrial societies, but the siting of this infrastructure within municipal boundaries is a legitimate concern of municipal governments. In partnership with Industry Canada and telecommunications companies, municipal governments must be able to effectively manage the siting of telecommunications infrastructure within their boundaries.*

FCM strongly endorsed the 34 recommendations of the 2005 Townsend Report on telecommunications infrastructure, which was highly critical of Industry Canada's stewardship of the rollout of antenna towers. Industry Canada responded positively to the Townsend Report and sought to redress the imbalance between the need for telecommunications infrastructure and the legitimate municipal interest in where that infrastructure is located.

In January 2008, Industry Canada introduced a new protocol that effectively closed the accountability loop for municipal governments by obliging carriers to comply with municipal protocols for the siting of antenna systems. Equally important, municipalities gained equal standing with carriers in appeals before Industry Canada. These actions have rebalanced the relationship between municipalities and telecommunications carriers.

Despite these changes, conflicts related to the siting of new antenna systems still occur. The vast majority of conflicts were due to Industry Canada exemption from municipal review and public consultation for new antenna systems less than 15 metres in height. The lack of consistent tower sharing between carriers has also resulted in an unnecessary proliferation of towers.

While improved regulations are the preferred approach to addressing these issues, municipalities and carriers have developed best practices that significantly improve the antenna siting process. In February 2013, FCM and the Canadian Wireless Telecommunications Association announced a jointly-developed *Antenna System Siting Protocol Template* that, among other improvements, puts in place a consultation process for antenna systems less than 15 meters in height.

In 2014, the Government of Canada announced changes to Canada's antenna siting policy. These changes responded directly to FCM's concerns by closing a major loophole that permitted wireless companies to build antenna towers less than 15 metres in height without notifying or consulting affected communities. FCM and the CWTA's Joint Protocol was also updated to reflect these regulatory changes.

#### Strategies

- FCM will continue to work with Innovation, Science and Economic Development Canada to ensure that federal antenna siting regulations respect the jurisdiction of municipalities over their own territories, including by mandating proponents to work with municipalities on a case-by-case basis and submit alternative locations or solutions to accommodate the local requirements set by municipalities, regardless of the height of the proposed installation.

- FCM will urge the government to update its policy on tower sharing to ensure co-location happens in all cases where preferred by the local municipality, and prevent the unnecessary proliferation of towers.

## MUNICIPAL RIGHTS-OF-WAY

*Canadian communities benefit from the services provided by telecommunications providers and broadcasters. However, municipal taxpayers should not be asked to subsidize these services, as 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.*

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. The 1993 *Telecommunications Act* brought increased competition and new telecommunications service providers (such as telephone and Internet companies), resulting in increased 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 to the telecommunications market, telecommunications carriers have relied on the CRTC to interpret the *Telecommunications Act*. Through its decisions in *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 their rights of way; allowed carriers to appeal to the CRTC to reopen existing contracts; and allowed carriers virtually unrestricted access to all municipal property, not just the "highways and other public places" as 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 dismissed the appeals and the Supreme Court of Canada refused to hear them.

In March 2009, the CRTC delivered an unprecedented ruling in *MTS Allstream v. the City of Vancouver* that established rules under which the City could recover a share of the costs for granting access to its rights-of-way. This decision has greatly assisted municipalities across the country in obtaining compensation from telecommunications companies for granting access to their rights of way. The decision has also clarified that access to properties other than rights-of-way should be treated on a case-by-case basis.

In February 2016, the CRTC reaffirmed many of these principles in *Bell Canada v. City of Hamilton*, including the key issue of cost-neutrality, i.e. municipal taxpayers are not expected to bear the costs associated with the presence of telecommunications infrastructure in the municipal right-of-way.

### *FCM's Policy Response*

FCM recognizes that Canadian communities benefit from the services provided by both incumbent and new telecommunications providers. It is not the objective of municipal governments to discourage or limit 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 with the interests of taxpayers and all other parties using rights-of-way. In addition, if telecommunications services are to be truly competitive, all competitors must recognize and bear the full 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:

- ***Management of rights-of-way:*** In pursuit of legitimate municipal purposes, municipal governments must be able to manage the occupancy and uses of rights-of-way, including the location of telecommunications equipment, 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.
- ***Relocation*:** Municipal governments must not be responsible for the costs of relocating telecommunications if relocation is required for legitimate municipal purposes.
- ***Liability:*** Municipal governments must not be liable for losses resulting from the disruption of telecommunications 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.

In June 2008 FCM released a report *Highway Robbery: How Federal Telecom Rules Cost Taxpayers and Damage Public Roads,* which found that municipal taxpayers across Canada pay more than $107 million per year in unrecovered costs imposed by telecommunications companies that access municipal rights-of-way.

### *CRTC Consultation on Model Municipal Access Agreement*

In September 2011, the CRTC initiated a process to develop a non-binding model municipal access agreement (MAA) intended to be used by individual municipalities and telecommunication carriers as a resource document when negotiating terms of access.

Between February 2012 and June 2013, a working group of municipal staff (including FCM) and carriers worked to develop a consensus document that identified common language for all major components to be included in a MAA. Contrary to the spirit of the model MAA process, the carrier members of the working group ultimately adopted aggressive negotiating positions on several key items (including relocation and compensation), some of which asked the CRTC to revisit past decisions. Rather than engage in a substantive debate with the carriers on these items, the municipal members asked the CRTC to endorse the consensus elements of the model MAA and leave the remaining issues to be negotiated by individual parties.

In November 2013, the CRTC released a final version of the model MAA which incorporated all recommendations of the municipal members of the working group. The CRTC's February 2016 decision in *Bell Canada v. City of Hamilton* reaffirms that the model MAA is a non-binding resource and that municipalities are not required to justify provisions that depart from the model MAA during their negotiations with carriers.

**Strategies**

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

- FCM will continue to promote ongoing dialogue between municipal officials involved in rights-of-way management.

- FCM will continue to intervene at the CRTC in cases where a municipal-telecom dispute is likely to be precedent-setting with national implications.

*Approved March 2017*
*Standing Committee on Municipal Infrastructure and Transportation Policy*