



The metaphor of crumbling infrastructure

**By Heather Douglas, President & CEO, The Calgary Chamber of Commerce
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The satirical World Madness Institute recently announced it had diagnosed a new, distressing disorder - Political Infrastructure Deficit Disorder (PIDD). Its experts claimed nearly 80% of politicians are unable to pay sustained attention to challenges associated with crumbling infrastructure, despite the fact that a booming construction sector improves international trade and augments globalization.

Allegedly, many of Canada's premiers and big city mayors face the adult-onset version of chronic PIDD - slowing economies and shrinking wads of cash to deal with aging dams, deteriorating roads, contaminated drinking water, and run-down hospitals. Sadly, we are familiar with collapsing bridges in Quebec, power outages in Ontario, and leaky school roofs in the Maritimes.

Since Alberta is a young province, our municipal and provincial politicians may be afflicted by the teenage mutant version of PIDD - the inability to plan for the billions of dollars of new infrastructure required to accommodate Alberta's expected population explosion, while upgrading and maintaining our current system.

According to provincial government projections, Alberta will have five million citizens by 2028, an increase of 40% or 45,000 new residents annually. Most are expected to settle in the Edmonton to Calgary corridor.

Understandably, this issue has not hit the provincial election debate. It is easier to argue if the enormous building activity in the oil sands is good or bad, which party will invest the most in green infrastructure, or who will build affordable housing units the quickest.

Yet Albertans long to vote for a premier who articulates a bold vision for the next century and is prepared to pledge real dollars to make it happen. We want smart and innovative financing to transform us into an economic powerhouse. We covet a government that cherishes its citizens.

The Calgary Chamber of Commerce understands that infrastructure underpins Alberta's economic growth and boosts productivity - a one percent increase in municipal building, road and rail networks, schools and other expansions boosts the province's GDP (gross domestic product) by 2.4%.

The Chamber also recognizes that infrastructure costs big dollars. Albertans can expect to pay \$6 billion a year to build the necessary utility and transportation corridors, wind power, water purification, and airports to accommodate the several million newcomers. We also need to invest at least \$7 billion to clear the backlog to fix our current infrastructure; every dollar we failed to spend yesterday to upgrade facilities costs us \$5 today.

The Chamber recommends that politicians use innovative financing tools, such as smart debt and public private partnerships (P3s) to fund these projects. We like smart debt because it recognizes that borrowing is a valid form of infrastructure financing and it establishes parameters on how we should borrow:



- Not all capital projects are equally well-suited for tax-supported debt financing.
- Requires a sustainable level of borrowing (optimal debt versus future revenues and anticipated growth) to prevent out-of-control financing. We recommend a 10% cap of total debt servicing costs with 7% from the tax base and 3% from resources revenues.
- Establishes policies for debt structure and amortization to ensure each project is financed over its useful life, rather than based on arbitrary time-lines or lowest cost financing.
- Recognizes that debt only finances infrastructure and the debt itself must be funded by a comprehensive repayment plan.

The Chamber also is fond of private public partnerships (P3s):

- Private sector shoulders some risk during construction and maintains the asset over its useful life (thus avoiding future deficits).
- Government is protected from cost overruns, weather delays, construction difficulties, and is guaranteed specific operation dates (subject to financial penalties).
- Province has access to lower interest rates and reduces overall project costs.

Alberta's politicians will be delighted to discover they need not suffer from the juvenile form of Political Infrastructure Deficit Disorder. Their cure involves articulating a bold vision, investing in smart capital funding, and applying principled approaches to building and maintaining new and existing infrastructure. Alberta will be transformed into an economic powerhouse and energy super-power that truly cares for its citizens. Let's start the rehabilitation by electing politicians who embrace success.