

August 4, 2023

**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming
Federal Budget**

By: Union des municipalités du Québec

Recommendations

Recommendation 1: That the Government of Canada permanently double the funding allocated to the Canada Community-Building Fund for municipal infrastructure, and that it act quickly to reach an agreement with the Government of Quebec to ensure that funding is transferred without any new conditions regarding how that funding will be used.

Recommendation 2: That the Government of Canada significantly increase its investments in the Disaster Mitigation and Adaptation Fund to accelerate the deployment of climate-resilient infrastructure.

Recommendation 3: That the Government of Canada modernize funding for municipal infrastructure projects by further extending the eligibility period for financial assistance programs and expanding the scope of financial assistance programs.

Recommendation 4: That the Government of Canada invest massively in social and affordable housing to address the housing crisis, combat homelessness and counter the decline in housing starts.

Recommendation 5: That the Government of Canada reinvest in sports and recreational facilities to ensure the health and well-being of the population and increase access to quality facilities.

Recommendation 6: That the Government of Canada support Quebec's transit agencies by providing additional funding for increased investment in asset maintenance, in order to maintain asset quality, preserve current service levels, and enable more people to benefit from modern, efficient public transit.

Recommendation 7: That the Government of Canada invest significantly in federal airport infrastructure in Quebec to reduce their major asset maintenance deficit.

Invest in critical infrastructure for the people

The municipal infrastructure maintenance deficit has been an issue for many years at the municipal level. For instance, the estimated cost to replace water mains and sewer lines currently at high risk or very high risk of failure is \$15 billion. That figure rises to \$38 billion when the cost of repaving the roadways and one-off water infrastructure projects is included.

Quebec municipalities do not have the fiscal capacity to meet this challenge on their own, especially given the current inflationary environment, which has been particularly hard on the construction sector. A recent study commissioned by the UMQ showed that 80% of Quebec municipalities had to postpone one or more municipal infrastructure construction projects in the past year, primarily because of price increases. In the medium and long term, this disinvestment could adversely affect the quality of services offered to the public and lead to higher costs for future generations.

The *Taxe sur l'essence et de la contribution du Québec* (TECQ) program, funded under the Canada Community-Building Fund, is very much appreciated in the municipal sector for its relative flexibility and predictability. However, most municipalities have used up their 2019-2023 TECQ allocations, and considerable uncertainty remains surrounding the program's renewal. Many municipalities want to begin planning their work for 2024 and beyond now. However, it is difficult for a municipality to plan future work without knowing how much funding will be granted by other levels of government.

Given the significant need for infrastructure investment, it is essential that the Government of Canada permanently increase the funding allocated to the Canada Community-Building Fund for municipal infrastructure, and that it act quickly to reach an agreement with the Government of Quebec to ensure that funding is transferred without any new conditions regarding how that funding will be used. Adding conditions would undermine the program's flexibility and simplicity, which are its main strengths.

Take environmental action now to make infrastructure more resilient to climate change

All together, Quebec municipalities will have to spend roughly \$2 billion more a year until 2055 as a result of the stresses caused by climate change, such as extreme precipitation, rising temperatures and changing freeze-thaw cycles.

This increase represents roughly 12% of current spending by Quebec municipalities. This will be the biggest new expense for municipalities, and they will be unable to make the required investments on their own. Over the next decade, annual needs will fluctuate between \$1.6 billion and \$2.7 billion, peaking in 2025-2026, mainly because of the need to upgrade water infrastructure.

Over the next decade, some critical municipal infrastructure will reach the end of their useful life. Any existing infrastructure that is in relatively acceptable condition will be eligible for robust upgrading and enhanced preventive maintenance. For assets that need to be replaced in the short term, it is also important to adapt this infrastructure today, in order to serve communities in the difficult climate of the future. These interventions are

necessary to ensure the level of service currently provided by municipal infrastructure. Without adequate adaptation, municipal infrastructure will deteriorate faster, will be more likely to fail and will cost more in the future.

The science is unequivocal: no matter how hard we try to reduce greenhouse gas emissions, we face numerous vulnerabilities. In recent years, a number of municipalities have experienced extreme weather events such as flooding, coastal erosion and torrential rains, phenomena that are likely to become more frequent in the future as a result of climate change.

Reinvest in sports and recreation to improve the mental and physical health of our communities

Municipalities in every region of Quebec are eager to implement projects that bring people together, and that reflect their communities by improving the quality of life of their citizens and their regions' appeal. Furthermore, projects to build, renovate or upgrade recreational and sports facilities contribute significantly to the socio-economic vitality of Quebec's regions during this time of economic recovery.

The *Programme d'aide financière aux infrastructures récréatives et sportives* (PAFIRS 1.0), introduced in 2018 and jointly funded by the Quebec and federal governments, was not as effective as it could have been, given that projects submitted totaled \$1.5 billion, although the available funding was only \$294 million. Nearly five out of six projects were rejected.

However, since that program expired, the Government of Canada has not announced any new contributions, although the Government of Quebec has announced a new program with \$1.5 billion in new funding over 10 years for Quebec sports facilities. The federal government's withdrawal from sports and recreational facilities comes at a very bad time, for two main reasons.

- Municipal sports and recreational facilities in Quebec are showing a significant and growing maintenance deficit. In 2020, 19.2% of cultural, sports and recreational facilities were considered to be in poor or very poor condition, ranking second across Canada, according to Statistics Canada. Quebec accounts for nearly 30% of the replacement value of these facilities in Canada, making it proportionally larger than the population.
- Quebecers are less physically active than in the past. In 2016, 55.2% of adult Quebecers reported being physically active for 150 minutes a week or more. That percentage fell to 46.8% in 2021. Physical activity of 60 minutes or more also declined, while the proportion of Quebecers reporting very good or excellent mental health fell from 73.2% to 65.8% over a span of five years.

Quebecers expect their elected officials, at all levels of government, to provide them with quality recreational and sports facilities. The COVID-19 pandemic highlighted how important it is, in terms of accessibility, health, a healthy lifestyle and socialization. That is why it is important that the Government of Canada recommit to funding these kinds of

facilities and that all levels of government work together effectively for the well-being of communities.

Move people more efficiently by increasing investments in public transit

Quebec transit agencies are facing major funding challenges. In fact, their financial situation is likely to worsen in the coming years specifically because of stagnating revenues while expenses continue to rise as a result of the need to expand the supply of public transit and aging assets (debt servicing). In 2027, the structural deficit of Quebec transit agencies could reach nearly \$1 billion, which could adversely affect service delivery.

Increased funding from the Government of Canada for public transit, and particularly additional investments for asset maintenance, would help ensure current service levels and allow more people to benefit from modern and efficient public transit.

Build more social and affordable housing to benefit communities and tackle homelessness

Quebec's housing crisis has been worsening for several years. Vacancy rates are at historic lows, and rental and mortgage prices have increased significantly. Canada Mortgage and Housing Corporation (CMHC) estimates that in order to ensure affordability in Quebec in 2030, at least twice the number of housing units would have to be built every year. However, because of rising interest rates, we are seeing a decline in housing starts. This crisis is having serious consequences on people who are finding it increasingly difficult to find housing that they can afford.

In recent months, more and more Quebec municipalities have seen a significant increase in the number of people experiencing homelessness in their regions. Building more social and affordable housing could help address this problem.

Invest in federal airport infrastructure

Regional air transportation is not a new issue. This matter has been examined many times, with discussions on ticket prices, infrastructure, reliability and regional air service. The Quebec government announced in 2023 that the regional air transport committee, of which UMQ is a member, would be a permanent body. The committee members are working hard to come up with potential interventions and possible measures to improve the current situation, including service frequency.

Regional air transportation is also a federal responsibility, so the Government of Canada must be at the table and do its part to move the issue forward. Furthermore, for the sake of competitiveness and fairness, the Government of Canada must review all taxes and tariffs currently in place in order to reduce operating costs for carriers as well as ticket prices for passengers. At the same time, the Government of Canada must continue to invest significantly in federal airport infrastructure in Quebec to reduce their major asset maintenance deficit.

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