

Building from the Ground Up: Funding the Infrastructure Deficit in Manitoba

J O A N G R A C E *

I. INTRODUCTION

Local communities are critical to regional and national economies. Many municipalities, however, are unable to live up to their social and economic potential (Courchene 2007). This is visibly evident in municipal infrastructure. In the built environment, municipalities are remarkably under-resourced; a situation familiar to taxpaying citizens frustrated with having to drive around potholes or navigate chipped concrete on sidewalks. Roads, mass transit, parklands, and water systems significantly contribute to public health and citizens' standards of living, yet 60% of infrastructure works in Canada were built over 70 years ago. This situation is even more troublesome when we consider that the life span of many of these public works is only 40 to 50 years (IFC 2011:38). Added to these concerns are provincial-municipal financial arrangements often characterized as being equally in a "state of disrepair" (Kitchen 2006). Across the country, the infrastructure deficit — the disparity between demand for services versus the financial ability of municipalities to build and maintain public infrastructure — has become an uncontroversial source of worry for many municipalities (Vander Ploeg and Holden 2013; Mirza 2007;

* Associate Professor, Department of Political Science, University of Winnipeg. The author thanks Robert Young, Canada Research Chair in Multilevel Governance, Western University, for comments on earlier drafts and the Social Sciences and Humanities Research Council for funding. Portions of the data are drawn from the author's participation in the Major Collaborative Research Initiative on multilevel governance. The author also thanks the staff at the Canada-Manitoba Infrastructure Secretariat, the Association of Manitoba Municipalities and the anonymous reviewers who provided constructive comments.

Vander Ploeg 2003). In Manitoba, infrastructure renewal is even more vexing due to destructive weather systems, fluctuations in economic performance and a dependence on federal transfer payments, all of which have contributed to a sizeable infrastructure deficit. In fact, according to calculations of the Association of Manitoba Municipalities and the Infrastructure Funding Council, in 2011 the province confronted an \$11 billion infrastructure gap. In Winnipeg, the total deficit was \$7.4 billion; \$3.8 billion for repair or replacement of existing infrastructure and \$3.6 billion to fund new projects – amounts which have continued to grow (AMM 2012-2013; IFC 2011:13).

However, targeted funding has flowed to municipalities. From 1961 to 2009, for example, yearly totals of federal infrastructure funding through grants to provinces rose from \$1.25 billion to \$63.8 billion, with provincial grants to municipalities increasing from \$187 million to \$53 billion (Mehiriz and Marceau 2013:73). From 2001 to 2012, \$273 million went to municipalities through the Building Manitoba Fund and provincial investments specifically directed to highways tripled from \$174 million in 1999 to \$532 million by 2013 (Manitoba 2014:1; Manitoba 2011). Through federal-provincial shared-cost programs, the Canada-Manitoba Infrastructure Program directed \$180 million toward financing projects in urban, rural and northern municipalities; also from 2004 to 2007, the Municipal Rural Infrastructure Program contributed \$145 million to smaller municipalities across the province (Canada-Manitoba 2007-2008:4). Capping this suite of programs was the Canada Strategic Infrastructure Fund which allotted hundreds of millions more for building large projects in Winnipeg such as the Kenaston overpass, the Winnipeg wastewater treatment project and the expansion of the Red River Floodway.

While targeted initiatives have been crucial to shoring-up local resources for municipal projects, I argue that the capacity gaps in financial arrangements and intergovernmental institutional linkages between the levels of government have contributed to the infrastructure deficit in Manitoba. While shared-cost programs have made a dramatic difference in Manitoba, I suggest that a strategic policy response through strengthened provincial-municipal relations could work toward addressing gaps in capacity within the infrastructure policy system. To make this argument, the analysis begins with discussing capacity issues to explain why infrastructure needs are particularly acute in Manitoba. These arguments further

support my contention for the development of a comprehensive intergovernmental capacity-building strategy.

II. CAPACITY AND MANITOBA INFRASTRUCTURE

Policy capacity has been defined as the ability to:

anticipate and influence change; make informed, intelligent decisions about policy; develop programs to implement policy; attract and absorb resources; manage resources; and evaluate current activities to guide future action (Honadle 1981: 578).

The capacity of a policy system to “think through the challenges it faces” can mean the difference between success or policy failure (Bakvis 2000:73). In reality, what counts as success certainly differs across, or even within, a policy system. A number of key aspects, however, can be identified which facilitate effective policy capacity, including a critical mass of financial and human resources, viable institutional presence within the policy system, the collection of information and expertise, or analytical policy capacity, within the institutional policy system (Atkinson, et al. 2013:142-143), organizational capabilities which meet institutional goals and programmatic implementation tools which attend to “on the ground” suggestions and requirements (Wellstead and Stedman 2010:894). With these fundamentals in mind successful capacity-building in Manitoba, regarding infrastructure renewal, would attend to:

- Understanding the unique policy environment of the province in conjunction with infrastructure needs;
- Appropriate and stable funding levels for municipalities to propose, construct and operate public works over a period of years;
- Federal-provincial-municipal policy connections to facilitate knowledge transfer and policy and program development to meet local objectives.

Assessing capacity factors are “only meaningful” if discussed in context to the situation being assessed (Hall 2008:464). Manitoba’s policy context, for instance, has significantly influenced the province’s unique infrastructure needs and has shaped political responses. Manitoba is home to over 1 million people sprinkled over a wide geographic expanse except for one major city located in the Southern part of the province. In 2013, there were 197 municipalities stretched across the province, yet the capital region, which includes Winnipeg and 16 adjacent municipalities, constitutes two-thirds of the province’s population (Manitoba Municipal Government 2014). The expanse continues in Winnipeg with the urban density at just 1,400 people per

square kilometre. This is lower than other comparable Canadian cities such as Ottawa (1,700) and Montreal (1,850), Winnipeg has one of the most “sprawling urban centres in the country” (Gillies 2011). Getting around the capital and across the province takes many and different types of traversable routes and passageways.

The province boasts vast waterways and rich clay soil which has created some of the most productive agricultural lands in the world, yet severe winters, relentless winds on the prairie plains, yearly flooding or drought conditions during the summer often wreak havoc on crops; while degrading and even demolishing, concrete, pipes and land surfaces. It has been reported, for example, that the 2004 drought cost Manitoba Hydro \$426 million and the 2011 flood cost the province over \$1 billion (Welch 2014). This scenario is once again affecting the province. After one of the coldest winters in a century, there were 2,194 reported cases of frozen pipes during winter 2013-2014, with many homes and businesses left without water for months on end even well into the summer months. The expected cost to the city of Winnipeg may reach up to \$5 million (Forlanski 2014). Spring and summer catastrophic flooding will also add to the financial burden for provinces and affected municipalities. In the “land of 100,000 lakes”, Manitoba is a province with 19,000 kilometres of highways and roads, 7,000 in Winnipeg alone and on any given day, a resident is traveling across one of the province’s 3,300 bridges – 1,000 of which were built during the 1950s and 1960s (Manitoba 2014:7, 10). All of this is to say that Manitoba’s physical environment should be a stark reminder to policy developers when developing infrastructure policy requirements and funding programs.

In addition, due to vulnerable production sectors and fluctuating international commodity markets, the province’s economic fortunes are often uncertain. In considering Manitoba’s infrastructure funding needs prior to the announcement of the federal Canadian Infrastructure Program in 2000, overall economic stability had been buttressed by an export-driven economic strategy, which was initially implemented under Progressive Conservative governments during the mid-1990s. This strategy transformed Manitoba away from its traditional position as the Canadian “Gateway to the West” into the “Gateway to the South” given a 152.5% increase in the export of goods to American markets from 1988 to 1997 (Black and Silver 1999:18). Contrast to a record high of \$491 million in 1996, however, agriculture outputs rose by an estimated 2.1% in 1998 and low commodity prices seriously

decreased farm income by more than half in the same year to \$83 million (Conference Board of Canada 1999:27).

Economic conditions, along with a small population base and population growth, typically below the national average from the early 1990s to 2009, further exacerbated the variable economic fortunes of the province, particularly in relation to Manitoba's uninterrupted status as a have-not province. Federal transfer payments have become a needed source of revenue for Manitoba governments, accounting for a third of provincial revenue. During the period under study, for example, federal transfers to total provincial revenues, such as equalization and the social and health transfers, averaged 30.5% from 2004 to 2012 (Minister of Finance 2005:28, 2008:44, 2012:43). As Paul Thomas has pointed out, the province is sometimes criticized by the business community for not creating the "competitive economic conditions necessary for prosperity" although as I and others have argued, vulnerabilities in Manitoba requires financial support from the national government to "complement provincial efforts" (2008:38).

Manitoba's dependence on federal transfers juxtaposed to close ties to American markets often severely impact commerce. The province's economy began to show signs of improvement, however, in the mid-2000s. From 2005 to 2011, unemployment rates were below the national average and housing starts per capita were above the Canadian average from 2004 to 2006 (Manitoba Finance 2007). Population growth rates in the province steadily increased between 2007 and 2011, likely attributable to the Provincial Nominee Program which facilitated immigrant in-take. By 2011 in Winnipeg, the population had increased by 50,000 over the past decade placing a significant impact on "infrastructure demands both from a residential use as well as an economic needs perspective" (IFC 2011:15). Manitoba's central location has encouraged the diversification of the economy as an ideal locale for transportation and wholesale distribution, making the trucking, rail, marine and warehousing industries major contributors to employment accounting for roughly 100,000 jobs in the province (IFC 2011:14; Carter 2009:236).

It is rather clear then that infrastructure maintenance, especially roadways and other fixtures which facilitate the movement of people and goods, are vital to the continuing health of the Manitoba economy, perhaps even more so than in the past. Manitoba has been successful in attracting "new economy" investment, such as information technology as well as research and development industries and reaps considerable financial benefits from the sale of hydro-electric power to American and

other Canadian provincial markets. Export growth in Manitoba has more recently been geographically broadened by building trade ties with Asian, Latin American and European markets. Exports remained strong from 2005 to 2007 eventually taking a dip due to the 2008-2009 global economic downturn when commodity prices collapsed in primary industries such as mining, agriculture and forestry (Baragar 2011:13, 59). As a consequence, the national unemployment rate rose from 6.3% to 8.6% between October 2008 and October 2009, signaling a loss of 400,000 jobs (Baragar 2011:1). Still, the provincial economy weathered the storm relatively well maintaining the GDP at 0% in contrast to an almost 2.8% decline in the Canadian GDP (Baragar 2011:1). This type of steady growth is often attributed to the province's "balanced, diversified, and slow growing" economy which has no "significant source of revenue windfalls" protecting it from boom and bust economic cycles (Carter 2009:237). Nonetheless, the economy remains vulnerable to ruptures in the international trade system.

Changes to federal funding formulas also have an impact on Manitoba's capacity to fund and finance infrastructure renewal. The federal Building Canada Fund program, for instance, allocated monies to Manitoba not based on infrastructure need or square kilometers, but on population figures taken from the 2006 census (Canada-Manitoba 2014a). This is a concern given Manitoba's sparse population in relation to physical infrastructure needs. As well, federal transfers to Manitoba decreased by \$379 million in 2012-2013, an issue contested by the Government of Manitoba arguing, ironically, that the 2011 Census data used to calculate federal transfers by Statistics Canada underestimated the province's population because the counting was undertaken during a time of catastrophic flooding.

Transfer payments and dedicated infrastructure funding programs from the federal government remain a significant and indispensable source of revenue for financing public works, especially in light of disasters discussed above and unexpected financial liabilities such as the 2009 H1N1 crisis which cost the province \$83 million (Levasseur 2013:186). As a consequence, Manitoba governments often have to make tough decisions regarding where to spend limited financial resources which has resulted in decades of infrastructure neglect contributing to policy gaps in financial resources available to municipalities. A political "steady but onward" attitude has further encouraged an aversion to the types of sweeping policy responses required of Manitoba political parties to substantively address the infrastructure deficit. As Jared Wesley aptly remarked, even in spite of

its “easternmost position, Manitoba is the Prairies’ political middle ground” (2011:175).

III. ATTRIBUTES OF THE POLICY SECTOR

All policy sectors have unique characteristics which influence the complexity of the policy area, the arrangement of capacities required to facilitate policy success, the array of actors involved in policy communities and dominant frames of reference which influence policy development. Municipal infrastructure, sometimes called assets as they are considered investments over a long period of time rather than the result of one-time government “spending”, are generally owned by municipalities (Vander Ploeg 2003). Indeed, over 50% of infrastructure across Canada is owned by municipalities and is financed by local governments which collect just 8 cents of every tax dollar (IFC 2011:38-49; Mirza 2007:5). Like other locales across the country, municipalities in Manitoba are under-resourced and often lack legal and administrative capacities to finance public works. Constitutionally, municipalities fall under the legal purview of the province. In Manitoba, they are only able to borrow if approved by the Manitoba Municipal Board and are subject to several provincial laws. The main sources of revenue for municipalities in Manitoba are property taxes, user fees and realty taxes. Mayors and reeves hesitate to increase property taxes, however, fearing negative reaction from home owners. In Winnipeg, property taxes were frozen from 1997 to 2011 – a popular decision perhaps but a political position which was eventually financially unsustainable. City council eventually raised property taxes by 3.5% in 2012, with slight additional increases of 3.87% and 2.95% in 2013 and 2014 respectively (Pursaga 2013).

Infrastructure is the “physical assets developed and used by a municipality to support the community’s social and economic activities” including the types of structures most Manitobans use on a daily basis, although innovations of modern society have led experts to re-conceptualize definitions (Vander Ploeg 2003:2-3). Contemporary categorizations of infrastructure (sometimes labelled as: basic, high tech, amenities, knowledge-based and health care related) facilitates economic prosperity, social, cultural and business connectivity, as well as the comfort and safety of citizens (Vander Ploeg 2003:2-4).

Basic urban infrastructure includes core infrastructure projects such as transportation networks (local and collector roads, bridges, flood protections and transit systems, railways, airports, seaports,

energy utilities, pedestrian walkways, street lights and traffic signals), environmental and sanitary operations (wastewater and storm-water networks, water pump stations, drinking water systems, sewer manholes) as well as general-use public buildings and protective services such as fire, police and emergency systems. High-tech infrastructure supports a wide range of physical systems which include cellular and satellite telecommunications, the internet and e-mail systems. Amenities, the third category, includes other public infrastructure works such as cultural, social, community and recreational facilities, as well as parklands, public libraries, art galleries and museums. These aspects of the built-environment are not conventionally associated with urban infrastructure, but are considered to be important to a well-functioning society. Knowledge-based infrastructure projects are also not generally included in conventional understandings of the policy area, but they are significant to modern, post-industrial economies. These include educated and skilled workforces and investments in public education, training and apprenticeships. Beyond definitions of typical “core infrastructure” contemporary understandings of infrastructure encompass services like national and local weather operations, data generating services including Statistics Canada and the Manitoba Bureau of Statistics and publicly available digital and electronic databases and information/research networks located within businesses, universities and research centres. Health infrastructure, the final category, includes hospitals and other health services given the importance of maintaining a healthy citizenry and workforce.

As this taxonomy illustrates, municipal and public infrastructure includes a broad range of tangibles and non-tangibles which work in tandem to support a community’s quality of life. Most infrastructure funding programs, however, focus on traditional infrastructure given the clear need for repairs to roads, highways and other core services. In the aggregate, core municipal infrastructure attributes consist of:

- Large networks built over generations generally not replaced as a whole system;
- Systems which have a long and sometimes unknown usage life because service capacity is maintained by refurbishments and replacements;
- System components which are interdependent and not amenable to subdivision or separate disposal; and,
- Assets which are initially quite costly yet have a value which is sometimes difficult to determine (Craft et al. 2013:42-43).

Infrastructure renewal is a complex endeavour. Projects are often cross-sectoral in the development of infrastructure planning and

rehabilitation strategies involving multiple provincial departments such as Finance, Intergovernmental Affairs, Municipal Government, Infrastructure and Transportation and, for some public works projects, Water Stewardship and Aboriginal Affairs. For other projects, the Clean Air Commission will weigh in to assess the environmental consequences. There are also physical disruptions to peoples' lives and businesses. Refurbishing pipes, for example, involves underground excavation, road upheaval and uprooting trees and lands. Infrastructure projects sometimes require fixing piece-by-piece, made all the more complicated when the project spans across communities. Also, weather may undermine the integrity of infrastructure in one locale, and have devastating effects well down the line in adjacent communities. Infrastructure projects also demand multilevel government agreements and intergovernmental relationships in the funding, construction and maintenance of public works. Pipes for water systems, bridges or highways connect families and communities located in particular municipalities, and are also communally used by residents from surrounding areas, if not from across the country. Many projects are not just for provincial benefit, they are for national economic purposes. This makes determining which locale is responsible for costs political and often contestable. Costs of infrastructure refurbishment will also be impacted by professional regulatory standards for safe drinking water, effective wastewater management and public safety. For some projects, labour-management agreements have to be negotiated and security systems have to be upgraded or installed. Further costs may include property assessments, fees and contract negotiations with professional engineers and architects, and the availability of parts to complete a project, not to mention fluctuating construction prices. The upshot is that municipalities are simply unable to carry the costs of infrastructure renewal, often massive in scale, making shared-cost programs between the federal and provincial governments a policy priority for local communities.

IV. INFRASTRUCTURE FUNDING SCHEMES

And there is, frankly, a dizzying array of infrastructure funding programs. At the local level, under the Winnipeg Recreation and Leisure Infrastructure Initiative, a Manitoba-Winnipeg agreement, \$43 million was allotted through the federal Canada Strategic Infrastructure Fund to improve aging community centres and for building skateboard and spray parks. Other infrastructure funding

programs have included, but are not limited to, the Manitoba Building Fund, the Manitoba Water Services Board, the Municipal Water and Sewer Program, Rural Water Development Program, Small Communities Transit fund, the Municipal Roads Improvement Plan and the Manitoba Bridge Program.

Significant federal funding has also reached municipalities through the province via programs such as the Gas Tax Fund and the Infrastructure Stimulus Fund. Gas tax monies began in 2005 and are forwarded to municipalities through the Manitoba Building Fund. The Conservative Government recently legislated the Gas Tax Fund as a permanent source of revenue for municipalities. The City of Winnipeg used a portion of these funds for upgrades to the Disraeli Bridge which included a footpath for pedestrians and a new Canadian Pacific Rail overpass (Infrastructure Canada 2013). To encourage short term stimulus to the economy during the global recession, the Infrastructure Stimulus Fund invested \$335 million in Manitoba, funding 112 projects across the province (Canada-Manitoba 2014b). The program was devised to dispense funds quickly and to be spent effectively by municipalities over a two year period (2009 to 2010 and 2010 to 2011). Most of the projects had to demonstrate “construction readiness” and all projects had to be completed by 31 October 2011.

There have been five major shared-cost infrastructure funding initiatives since 2000: the Canada Infrastructure Program, the Municipal-Rural Infrastructure Fund, the Canada Strategic Infrastructure Fund, the Building Canada Fund and the recent New Building Canada Fund. During his tenure, former Winnipeg Mayor Glen Murray strongly advocated for a new partnership between the three levels of government. A founding member of a coalition of mayors from five large Canadian cities, the first meeting of the “C5” took place in Winnipeg in May 2001 advocating for a “new deal for cities” to ensure local communities could address pressing public concerns and “fundamental infrastructure needs” (Winnipeg 2001).

In response, then Prime Minister Chretien earmarked \$2.65 billion in the 2000 budget for physical infrastructure, monies eventually administered under the Canada Infrastructure Program. When Paul Martin became Prime Minister, a Cities Secretariat in the Privy Council Office was established in 2003 and an External Advisory Committee on Cities and Communities was struck. In July 2004, the Cities Secretariat was combined with Infrastructure Canada creating a new ministry tasked with implementing the “New Deal for Cities and Communities”. Since 2000, the federal government has followed up

with further infrastructure investments that have been administered in Manitoba through the Municipal-Rural Infrastructure Fund (MRIF) and the Canada Strategic Infrastructure Fund (CSIF). During Liberal Government years, further funding flowed to Manitoba, as noted, through the Federal Gas Tax Program and the Public Transit Fund Program. The Conservative Party, after election in 2006, continued shared-cost infrastructure funding through the Building Canada Fund and via the recently announced New Building Canada Fund. Discussed here are brief aspects of each of these major federal programs.

A. Canada-Manitoba Infrastructure Program (CMIP)

In October 2000, Ottawa and the Province of Manitoba signed a \$180 million, six-year contract for infrastructure improvements to promote sustainable economic development (Minister of Intergovernmental Affairs 2001-2002:62). The stated objectives of the Canada-Manitoba Infrastructure Program (CMIP) were to enhance the environment, support long term economic growth, improve community infrastructure and build 21st century infrastructure through best technologies, new approaches and best practices (Canada-Manitoba 2002-2003:6). The \$180 million, \$60 million each from the federal and provincial governments, was a matching funding scheme with contributions made in partnership with municipalities or non-governmental interests such as community-based groups or private-sector organizations. Unlike conventional conceptions of infrastructure, the Canada Infrastructure Program funded a wide range of projects to encourage environmental priorities, improve quality of life and support culture, promote tourism and connect citizens through information technology. The program was reimbursement-based, with projects funded equally between the federal and provincial governments in partnership with the community project proponent (such as municipalities or non-governmental groups). All project applications had to be approved by the local municipal or town city council then forwarded to the Canada-Manitoba Infrastructure Secretariat, a joint federal-provincial body which has managed the administration of the shared-cost grants.

Municipalities incurred and paid 100% of project costs, then were reimbursed for up to two-thirds of the expenses from the federal and provincial governments (Canada-Manitoba 2002-2003:7). Applications for funding under CMIP were made on-line and assessed based on the financial sustainability of the project, whether the applicant leveraged other methods of funding, along with the regional impact of the

project. All applications were ranked based on their merit and vetted whether projects enhanced the quality of the environment, improved wastewater and solid waste management and efficient energy use, supported long term economic growth, enhanced infrastructure in communities where standards fell below the “norm” to improve the quality of life of residents, supported community heritage and culture, as well as information technology usage. Of applications received, 155 of 173 projects were approved and had to be completed by the stipulated end date of March 2008 (Canada-Manitoba 2006-2007:26).

B. Municipal-Rural Infrastructure Fund (MRIF)

Announced in the 2003 federal budget, the Municipal Rural Infrastructure Fund (MRIF) was created to support municipal infrastructure projects in smaller communities that improved quality of life, sustainability and economic development. In Manitoba, a minimum of 80% of the MRIF funds were directed to municipalities with populations of less than 250,000, although some monies were allocated to Winnipeg projects. Five-year project support was set at \$120 million in Manitoba during the life of the program which ran from 2005 to 2010 with completion by 2011. The MRIF included a component which specifically addressed the infrastructure needs of First Nations communities. The federal government and Manitoba each invested \$41 million, with matching project funding from local governments. In May 2007, there was a \$25 million top up over and above the original allotment added to the MRIF (Canada-Manitoba 2006-2007:36). Like the CMIP, applications were submitted on-line to the joint Canada-Manitoba Infrastructure Secretariat and were assessed based on many of the same criteria as the CMIP. And like the CMIP, the process was highly competitive with mandatory screening which, among other requirements, obligated the applicant, municipality or non-governmental body, to demonstrate a business case including operational viability and project sustainability.

C. Canada Strategic Infrastructure Fund (CSIF)

The Canada Strategic Infrastructure Fund (CSIF) supported infrastructure initiatives deemed a “national priority” or of national/regional significance (Canada-Manitoba 2004-2005:2). In Manitoba, CSIF funded the Red River Floodway expansion, the Winnipeg waste water treatment system and the Kenaston Underpass. Separate agreements were signed for each of these projects. For the floodway, a federal-provincial agreement was struck which provided a

\$120 million contribution from the federal government to begin expansion, with the province contributing “at least an equal amount” (Canada-Manitoba 2002-2003). The City of Winnipeg allotted \$23 million to improve pumping stations, drainage ditches, sewer systems and internal dikes for the floodway expansion, and contributed funds toward the underpass and the waste water treatment project.

D. Building Canada Fund (BCF)

The federal 2007 budget provided funding under Infrastructure Advantage which extended the gas tax transfer and provided further funding for the floodway expansion project funder the CSIF. In the Throne Speech of October 2007, the Conservative government announced the Building Canada program, allocating \$33 billion over seven years (Canada 2007:4). Similar to previous major initiatives, projects under the BCF were cost-shared between the federal, provincial and municipal governments on a one-third basis. The BCF had two components: the Major Infrastructure Fund (MIC) and the Communities Component (CC). The MIC funded strategic projects of national and regional significance; the CC stream funded projects in communities with populations less than 100,000. Manitoba’s allocation for MIC funds was based on the province’s population as accounted for in the 2006 census. The Canada-Manitoba Infrastructure Framework Agreement was signed in September 2008 committing \$718 million to public infrastructure in the province (Canada-Manitoba 2007-2008). An additional \$36.24 million top up was added to the CC stream for Manitoba in 2011, with projects completed by 31 October 2011, although some projects were extended until 2012. Continued under the New Building Canada Fund, there is also a hybrid stream providing funds for public-private partnerships. Called the P3 Canada Fund, eligible projects must generate public goods and promote job creation and economic growth. In Winnipeg, the Chief Peguis Trail Extension was funded through the P3 program in 2010 (Infrastructure Canada 2010).

E. New Building Canada Fund (NBCF)

Officially launched March 2014, the current shared-cost infrastructure initiative is the new Building Canada Fund slated to provide \$14 billion to communities across the country over a ten year period. The NBCF has two major components: the National Infrastructure Component (NIC) and the Provincial-Territorial Infrastructure Component (PTIC). Municipalities contribute one-third

of the cost of a project using monies other than from their share of the gas tax fund (AMM 2014). To be eligible for funding under the NIC, projects must have broad public benefits contributing to long-term economic growth demonstrating a viable business case. Eligibility for municipalities, band councils, regional entities or private sector groups under the PTIC stipulates that projects must be of a national, regional or local importance which contribute to economic prosperity and a clean environment. The new BCF is a back to basics approach financing core infrastructure such as highways and roads, rail and port infrastructure, public transit, local and regional airports and disaster mitigation.

F. Intergovernmental Relations and Policy Development

Manitoba boasts a successful history of bipartite and tripartite agreements between the City of Winnipeg, the Province of Manitoba and federal governments (Carter 2009:250). From 1981 to 2009, four separate five-year Urban Development Agreements between Ottawa, Manitoba and the City of Winnipeg (the Winnipeg Core Area Initiative I, 1981-1986; the Winnipeg Core Area Initiative II, 1986-1991; the Winnipeg Development Agreement, 1995-2001 and the Winnipeg Partnership Agreement, 2004-2010) have brought hundreds of millions of dollars to Winnipeg to address pressing urban challenges and to stimulate downtown revitalization. The development of The Forks, one of Canada's national indigenous historic sites and an urban oasis for many Winnipeggers, is a direct result of these types of partnerships.

Manitoba has engendered a collegial working relationship with successive federal governments (Thomas 2008). Although there certainly have been times when Manitoban Premiers have not agreed with the priorities of Ottawa, Manitoba New Democratic Party governments have taken a pragmatic approach to federal-provincial relations under both Liberal and Conservative federal governments. While the Manitoba government generally works at maintaining harmonious federal-provincial relations, they nonetheless often publicly defend the interests of the province. Characterized as “polite but persuasive in-your-face federalism” by a senior bureaucrat in Ottawa, former Manitoba Premier Gary Doer’s personal style of working with Ottawa to the minds of some “paid off” (Winnipeg Free Press 2003a:A3). A good example was Gary Doer’s refusal to sign on to the Conservative government’s Building Canada Fund until Manitoba received a guarantee from the federal government that funds for the

Red River Floodway expansion were forthcoming (Winnipeg Free Press 2003b; Winnipeg Free Press 2007:A1). This style of federal-provincial relations continues under the current Premiership of Greg Selinger, although Karine Levasseur (2013:191) has argued that Gary Doer's successor has been departing from the previous "path of pragmatism" evident in part due to the recent and highly unpopular one percent increase in the provincial sales tax.

On the federal front, after the 2006 election of the Conservative Party, support for the "New Deal" cities agenda waned. The current Prime Minister's approach to "low key intergovernmentalism", in conjunction with his priority to rein in federal spending, have been less favorable to Manitoba's economic realities (Teliszewsky and Stoney 2007:36, 39; Graefe and Laforest 2007:52). Still, the Conservative Government continued infrastructure funding by putting into law the Gas Tax Fund and by the creation of two Building Canada Funds. The legal framework of federalism in Canada, nonetheless, has structured multilevel governing relationships between the levels as directive and top-down – with the federal government taking the lead position. This policy relationship is further buttressed by elements of the programs in this policy sector. The Canada Infrastructure Program, the Municipal-Rural Infrastructure Fund, the Canada Strategic Infrastructure Fund and the Building Canada Funds have all been administered via formal agreements negotiated by federal and provincial government codifying application procedures and funding criteria. To be sure, shared-cost programs offer flexibility and matching funding programs facilitate "optimal production of local public goods" (Mehiriz and Marceau 2013:82). Also, shared-cost programs can be useful policy instruments because they express, and hopefully achieve, different objectives of the various parties. After all, the federal government is largely concerned with stabilizing the national economy, the Manitoba government is keen to increase regional economic prosperity and local councils want to provide reliable services to citizens.

Under these one-size-fits-all programs, however, there was little recognition of the unique geographic and economic factors affecting infrastructure renewal in Manitoba, nor was there recognition of the complexities of the policy field. All applicants had to adhere to specific application guidelines and follow highly structured vetting procedures, arguably more amenable to some municipalities than others. The shared-cost programs did not effectively recognize, for example, that remote and Northern communities require larger amounts of money given the challenges of construction due to longer winters (AMM

2014). Demonstrating a “business case” and economic “viability” also had to be quite different between locales such as Leaf Rapids and Winnipeg given that project viability is affected by unique northern versus southern environmental conditions as well as the timely availability of human resources and construction materials. As well, shared-cost programs focusing on core infrastructure and trade corridors benefitted communities connected to major highway systems to the detriment of municipalities seeking funding for non-traditional infrastructure needs such as broadband connectivity, tourism venues and community or cultural facilities.

Other than typical provincial consultations with municipalities, there was limited room to build policy connections with the federal government. Importantly, however, an institutional structure was created in Manitoba to administer and monitor the implementation of the infrastructure grants, which provided an avenue for municipal participation, albeit during later phases of program development. Since 2000, all Canada-Manitoba infrastructure programs have been managed and approved by Western Economic Diversification Canada, on behalf of Infrastructure Canada, and by Manitoba Infrastructure and Transportation through a joint federal-provincial secretariat (Canada-Manitoba 2014c). The nine-person joint Canada-Manitoba Secretariat is staffed by federal and provincial employees, originally housed in Manitoba Intergovernmental Affairs then in Manitoba Infrastructure and Transportation. In 2011, the joint secretariat was relocated to the Manitoba Department of Local Government (Minister of Local Government 2011-2012). During the administration of CIF, MIRF and CISF, the staff included a Director (a provincial employee), an Associate Director (a federal employee) and seven staff (two federal, five provincial) tasked with various responsibilities such as communications and policy analysis. The secretariat was established to minimize overlap and duplication in federal program delivery, to contribute to federal-provincial co-operation and to provide single window delivery to local governments. The secretariat managed and processed applications and communicated with funding applicants and recipients.

The secretariat has been an effective central agency in the support and administration of the major shared-cost programs and for the participation of local representatives. An internal committee structure to facilitate administration and consultation with local governments was created, as was a federal-provincial Management Committee which established administrative practices for program reporting and

evaluation. The Management Committee was composed of deputy ministers of Western Economic Diversification and the lead provincial department, Manitoba Infrastructure and Transportation. The bulk of the actual review of applications, however, was undertaken within the secretariat and by consultative committees. The Federal-Provincial Local Consultative Committee evaluated proposals and provided funding recommendations to the federal-provincial Management Committee for consideration. The committee's recommendations were processed through the federal and provincial approval systems via the secretariat. The Local Consultative Committee was composed of representatives of the Association of Manitoba Municipalities (AMM) and the Northern Association of Community Councils (NACC). For projects outside of Winnipeg, a Rural-Northern Federal-Provincial Local Consultative Committee stepped in with advice and guidance. On this committee were representatives from the Association of Manitoba Municipalities, the Northern Association of Community Councils and Manitoba Aboriginal and Northern Affairs. A separate process was set up for Winnipeg given its size and importance in the infrastructure portfolio. In Winnipeg, the Federal-Provincial Local Consultative Committee was composed of the Manager of the Executive Policy Secretariat and Directors of Public Works and Transit who represented the interests and decisions of Winnipeg City Council to the Management Committee within the secretariat (Minister of Intergovernmental Affairs 2001-2002:61).

Successfully accessing funds, however, was a significant challenge for many municipalities. Because the programs were reimbursement-based, often established as one-third cost-sharing scenarios, municipalities had to raise their share of the funds for the project prior to submitting an application, and then the application had to meet strict approval criteria as set out by federal and provincial governments. Clear application and reporting procedures put in place accountability measures, but serious transparency issues were evident. Information has not been publicly available regarding which applications went unfunded, who the applicants were, or why some projects were denied funding. As a consequence, it remains unclear if municipal project proposals were rejected for reasons other than being a "financially viable" or because criteria requirements, such as proving a business case, were simply too onerous for municipalities to meet or incongruent with the fiscal realities of some local governments. We also do not know if applicants were denied funding because projects did not fit with federal and provincial preferences to fund core

infrastructure. As well, there has been no direct organizational reporting by the secretariat through annual progress reports about the two Building Canada Funds as was the case during the administration of the previous major shared-cost programs. Indeed, it is conceivable that the secretariat has currently assumed a tangential role in shared-cost agreement implementation and program linkages with municipal representatives.

V. BUILDING FROM THE GROUND UP

Funding levels still fall short of what is required to fill the infrastructure funding gap. In 2007, the joint secretariat reported that the demand substantially exceeded the availability of funds by a ratio of 4-to-1 (Canada-Manitoba 2006-2007:25). Even with the hundreds of millions of dollars which have flowed to Manitoba via the five major grants discussed above, billions more are required. Indeed, at levels of spending in 2011, the infrastructure deficit in Manitoba is estimated to reach \$13.4 billion by 2019 (IFC 2011:12). This was the finding of the Infrastructure Funding Council launched in 2010 by the City of Winnipeg in partnership with the Association of Manitoba Municipalities. The Infrastructure Funding Council (IFC) was tasked with developing a “comprehensive infrastructure funding strategy” (Winnipeg 2010). As President of AMM remarked at the announcement:

Manitoba’s municipalities are facing an overwhelming infrastructure deficit and our revenues – mainly from property taxes and the odd grant – are simply not meeting the needs of our citizens. It is essential that we develop a strategy that will see us into the coming decades, so we can create the vibrant, welcoming communities we all want to live in (Winnipeg 2010).

The IFC undertook an extensive study offering several suggestions in their 2011 report, *New Relationship: A New Order*. In part, the IFC recommended new revenue streams for municipalities and the development of a “Manitoba Municipal Infrastructure Funding Agreement”. The IFC also recommended the establishment of an Implementation Committee, comprised of individuals appointed by the province, AMM and the City of Winnipeg to facilitate a “new intergovernmental infrastructure funding relationship” (IFC 2011:11).

In 2014, the province offered a measured response. Upon conducting consultations with municipalities and AMM in 2012, the Manitoba government launched a five-year infrastructure investment

plan called *The Five-Year Plan to Build a Stronger Manitoba: Manitoba's Core Infrastructure Priorities* (Manitoba 2014). The five-year plan targets \$5.5 billion beginning in the 2014-2015 fiscal year to take advantage of the newest federal infrastructure funding program, the *New Building Canada Plan* (Manitoba 2014). The plan appears to be the only contemporary dedicated strategy on infrastructure renewal developed by the Manitoba government. The plan focuses on core infrastructure such as highways, roads, flood protections and bridges, in part funded by the recent one percent increase in the provincial sales tax (Manitoba 2014).

The five-year plan directs funds to trade corridor infrastructure, not entirely unexpected given the government's priority of focusing on the economy yet it means the strategy is quite narrow in terms of meeting the varied aspects of infrastructure needs across the province. While the five-year plan demonstrates leadership on the part of the NDP, municipalities require funding for projects beyond core infrastructure works. For many rural municipalities, for example, arenas, community centres and cultural events make important contributions to their economies. As well, municipalities must have reasonable and equitable shared-cost funding arrangements and programs which provide continued, stable operating monies to maintain new or refurbished infrastructure projects.

Municipalities in Manitoba have to rely on their sources of revenue which rarely cover the enormous and escalating costs of maintaining infrastructure along with other municipal services (Carter 2009:237). Funding programs must be more open-ended allowing room for municipalities to make decisions appropriate to their infrastructure needs and for local authorities to tailor funding needs to support long-term planning. Municipalities also require more funds through own-source revenue streams; monies from future shared-cost grants, for example, could be funneled directly to municipalities (Rabson 2012). Finally, provincial authorities could strengthen intergovernmental connections with local councils through the establishment of a municipal-provincial forum similar to an "Implementation Committee" recommended by the Infrastructure Funding Council. A renewed provincial-municipal relationship may not guarantee better funding arrangements from the federal government, but if instituted, provincial policy developers, municipalities and organized policy networks will be better able to systematically address enduring infrastructure challenges within their own jurisdiction as well as collectively advocating a firm position to the federal government.

VI. CONCLUSION

Reducing the infrastructure deficit in Manitoba is a demanding undertaking due to an exceptional geographic expanse, severe environmental conditions and on-going catastrophic weather-related events – all exacerbated due to financial vulnerabilities of the province and many municipalities. Capacity gaps were also notable in the institutional and policy development system. While the Manitoba Infrastructure Secretariat afforded access to municipalities, I argue that application procedures were too cumbersome and restrictive, with participation provided too late to offer any viable way for municipal authorities to articulate infrastructure needs to federal and provincial governments.

Economic vulnerabilities in the province coupled with the complexities associated with infrastructure works means that shared-cost grants are an inescapable necessity. And this is as it should be. National funding programs are for the national, regional, and local good. Yet, due to the magnitude of the infrastructure deficit, along with the dramatic cost of infrastructure renewal, I propose that intergovernmental policy relationships must be strengthened, underpinned with bold political action through a forum which better integrates local perspectives and “on the ground” policy ideas. Infrastructure challenges will not be solved in the medium term. Restructured intergovernmental relations and shared-cost programs, along with comparative research, however, may well lead to the determination of appropriate, if not substantive, policy responses.

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