

407 a 'poor deal' for taxpayers: expert

From page 10.

Partnerships have evolved from their beginnings in the early 1990s and are now being used in more sectors at more levels of government, Mr. Romoff said.

A recent Edmonton breakfast brought out 370 attendees to hear how P3s can help municipalities, he said, a sign of increased interest at the cash-strapped municipal level.

"When you're looking to move the infrastructure needle ... if there's an infrastructure gap and a fiscal challenge, the P3 model could be worth looking at," Mr. Romoff said, acknowledging the partnerships are not a silver bullet for every project.

John Loxley, a University of Manitoba economics professor who studies and writes about P3s, evaluated prominent projects, including Hwy. 407, the controversial toll highway built in a private-public partnership and now owned privately. He believes the highway was a "poor deal for Ontario taxpayers."

"You need (infrastructure), but it's got to be done right," he said. "You

don't get something for nothing."

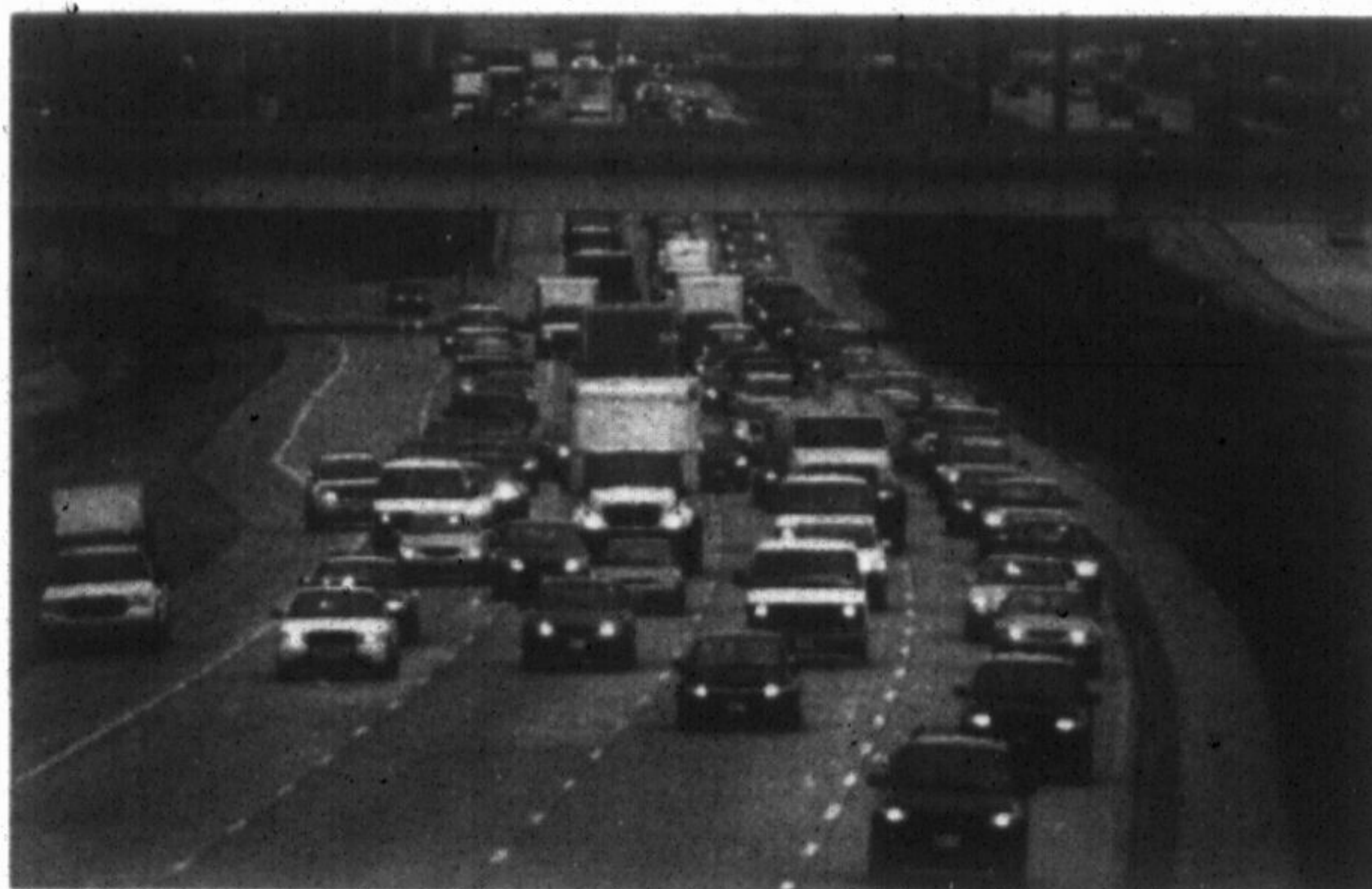
But public-private partnerships are not the only potential options available to help municipalities solve the funding puzzle.

Solutions popular in other jurisdictions are being looked at as well, including new models that would apportion a certain percentage of income tax or a percentage of sales tax such as the HST for infrastructure.

The push for alternative financing is driven by the realization that municipalities simply cannot hold the fort much longer. From 1955 to 2007, the federal share of public infrastructure fell from 27 per cent to 5 per cent, while the municipal share increased from 27 per cent to 55 per cent, according to a 2008 report.

Earlier this month, the mayors of Canada's largest cities agreed at a meeting in Halifax that municipalities must watch Prime Minister Stephen Harper's new majority government to ensure there is a change.

Vancouver Mayor Gregor Robertson, chairperson of a big-city caucus in the Federation of Canadian



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Hwy. 407, which is now privately owned, was originally a public-private partnership.

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Municipalities, said he hopes municipal leaders and the Tories can develop a far-reaching infrastructure plan that won't drop in priority as the new government tries to cut costs.

After the federation issued a report on the national infrastructure deficit in 2007 — when, it calculated, the gap for Canadian municipalities alone was \$123 billion — Finance Minister Jim Flaherty countered that municipalities should take care of themselves and Ottawa was "not in the pothole business".

The attitude changed as the

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recession took hold and the federal government took into account the jobs that could be created through infrastructure projects. However, as the infrastructure deficit grows and the economy recovers, the traditional equation is back in force.

The federation points out 92 per cent of a Canadian's tax dollar goes to the two upper levels of government, but municipalities are responsible for more than half the existing infrastructure — and have to do whatever jobs are passed to them — with the remaining 8 per cent.

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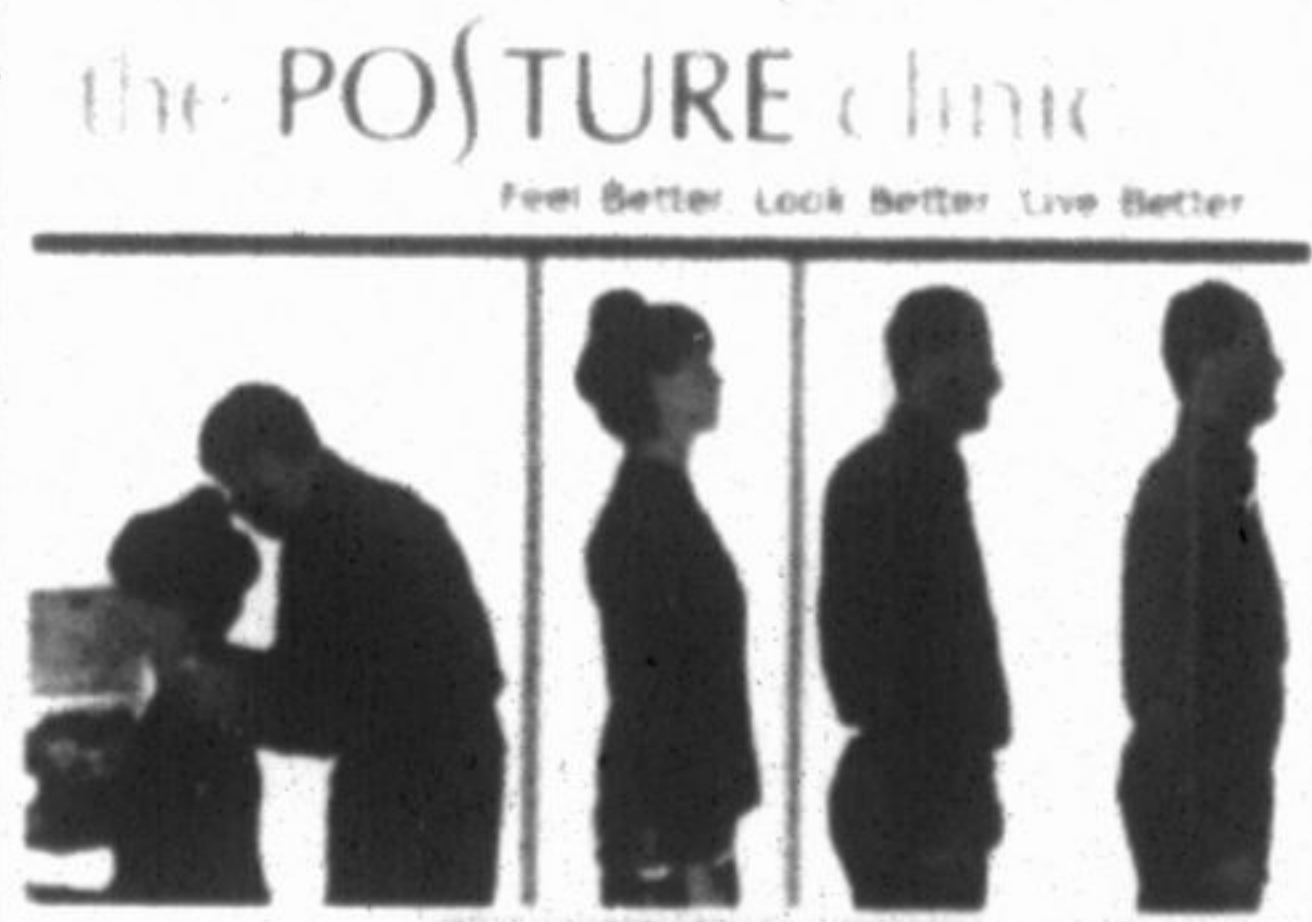


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