

The worldwide infrastructure deficit has been pegged at \$57 trillion¹, which is having a negative impact on economic activity, quality of life, and in some instances, basic infrastructure needed to live. In Canada, the infrastructure deficit could be as high as \$570 billion² with the Federation of Canadian Municipalities estimating the municipal shortfall of that total being \$123 billion³.

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The solution to the infrastructure gap is multi-faceted, but governments at all levels are moving toward long-term infrastructure plans with record levels of investment. However, as governments are also attempting to tackle this challenge, they do so in an era of low growth and low fiscal flexibility. This is increasing their need for governments to ensure that their investments are maximizing value for taxpayer dollars, delivering high-quality infrastructure on-time and on budget, maximizing value on taxpayer dollars. Increasingly, public-private partnerships (P3s) are one of the tools governments are using to meet this challenge.

But However, as Canada moves towards new and innovative ways to meet the increasing demand for infrastructure, First Nations continue to struggle with an immense infrastructure deficit on reserve and an outdated procurement and financing model that stands to put further strain the dire state of infrastructure in these communities.

Over the past twenty years the public sector has been implementing, in ever-increasing frequency, public private partnerships and other Alternative Service Delivery (ASD) methods as to provide an alternative to traditional procurement (ppa/epa, design-bid-build, etc.) and financing. However, First Nations infrastructure procurement and financing processes have not changed.

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There are a myriad of reasons why innovation in First Nations infrastructure procurement and financing has lagged behind the rest of the Canadian public sectors, whether because of the inflexibility of the Indian Act, existing federal government policies, First Nations capacity issues, and lack of capital expenditure size, to name just a few.

This report is intended to address the following:

- Provide an overview of the infrastructure deficit facing First Nations and the Federal Government;
- Explain P3s and some of the key benefits of the model;
- Describe the opportunities P3s could potentially provide for First Nations communities;

¹ McKinsey & Company. "Infrastructure Productivity: How to Save \$1 Trillion a Year." January 2013.

² The Canadian Chamber of Commerce. "The Foundations of a Competitive Canada: The Need for Strategic Infrastructure Investment." December 2013.

³ Saeed Mirza, Saeed. The Federation of Canadian Municipalities. "Danger Ahead: The Coming Collapse of Canada's Municipal Infrastructure." November 2007.

- Identify the key inhibitors that prohibit First Nations ~~from~~ actively participating in the P3 market;
- Provide proposed solutions that could help bridge the infrastructure gap and give allow First Nations the opportunity to participate in the P3 market by providing the necessary security for the finance markets to become active in the sector and help bridge the infrastructure gap; and
- Provide an overview of the feedback heard from our market sounding.

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It is important to note up front that this report publication is intended to spark discussion about innovative ways to tackle the First Nations infrastructure gap, and it is important to note that P3s are just one tool in the toolkit, and will not be a panacea. Furthermore, some of the barriers to creating a First Nations P3 market will not be overcome instantly, but that and should not detract from critical investments needed right away. Finally, P3s truly are about partnerships and should only be undertaken where there is a willing First Nation partner.

2. The First Nations Infrastructure Deficit

The infrastructure deficit, or gap, on First Nation lands has been one of the main ongoing disputes between First Nations and the Federal government. Although the intent of this study is was not to calculate the infrastructure deficit across First Nations in Canada, it is estimated to be between \$25 billion and \$30 billion (with some noting even higher figures), and raises the question of whether current investments are keeping pace with population growth and the rate of inflation. The Aboriginal population in Canada grew at a rate significantly faster than that of the general population from 2001 to 2006, increasing by 20 per cent, according to Statistics Canada, and nearly by the same percentage between 2006 and 2011. Though much of this growth is attributed to an increase in non-status Indian or Métis self-identification as non-status Indian or Métis.⁴ Status Indian population growth hovered at just above 2 per cent per annum over the 2001–2011 period.

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In Ontario alone, the infrastructure gap was estimated to be approximately \$2.2 billion for housing, \$2.5 billion for institutional service buildings,⁵ approximately \$2 billion for water and wastewater treatment plants,⁶ and \$1.9 billion for linear structures and roads.⁷

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⁴ “Aboriginal Demographics From the 2011 National Household Survey,” Aboriginal Affairs and Northern Development Canada, https://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AI/STAGING/texte-text/abo_demo2013_1370443844970_eng.pdf.

⁵ Community Opportunity Readiness Program (CORP) Program Guidelines.

⁶ <http://www.wawataynews.ca/archive/all/2011/9/1/huge-first-nations-infrastructure-gap-reported-21819>

⁷ <http://www.wawataynews.ca/home/huge-first-nations-infrastructure-gap-reported>

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Figure 1, below, details the breakdown of the infrastructure deficit in First Nations across Ontario alone. The deficit is split fairly evenly across the four areas:

- Housing;
- institutional service buildings (education facilities, community buildings, etc.);
- Water and wastewater treatment plants; and
- Linear structures and roads.

If there is, possible, however, the possibility that the deficit is much greater. The Ontario First Nations Technical Services Corporation (OFNTSC) puts the Ontario infrastructure gap on First Nations reserves at \$8.8 billion, a figure was calculated over a 20-year period and, putting the annual gap at \$500 million. In 2011, the annual infrastructure budget for First Nations in Ontario was around \$260 million. The OFNTSC reported in 2011 that, on average, an on-reserve housing unit cost \$250,000 and that \$2.2 billion was required to remedy Ontario's First Nations housing deficit. The housing deficit is defined as the amount needed to build new units to meet demand and renovate houses in need of major repair. The above estimates put the First Nations housing deficit at 8,800 units in Ontario alone.

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The national First Nations infrastructure deficit figures were estimated using the Ontario deficit figure and proportionately distributing the gap across each of the regions using each regional First Nation population as weighting. The population figures were those cited in Aboriginal Affairs and Northern Development Canada's (AANDC) *National First Nations Infrastructure Investment Plan 2014-2015*.⁸ Though this methodology is not the ideal methodology, a large-scale study of this kind, which would be the only way to get more fulsome information, has not been completed; it and would be the only way to get a more fulsome result. The closest thing to such a study, "The National Assessment of First Nations Water and Wastewater Systems," to that was a sectoral study completed in 2011, "The National Assessment of First Nations Water and Wastewater Systems" in 2011.

Commented [B10]: "fulsome" means excessive or overdone - "complete" or "accurate"

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Using this methodology available, it can be estimated that Ontario and Manitoba have the greatest deficit, of respectively at proportionately \$8.8 billion and \$8.34 billion proportionately, and conservatively \$6.16 billion and \$5.84 billion conservatively, respectively, as shown in Figure 2 above. (The conservative numbers are in the figure above, numbers were scaled back 30 per cent⁹ lower than the proportionate numbers to reflect the possibility that Ontario may not be representative of the entire country; and this report, based on a range of available estimates, publication will err on the side of underestimating rather than versus overestimating the gap.)

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Commented [B13]: "a fairly arbitrary number" raises alarm bells - so is it just a guess? "A conservative estimate" or "based on the range of available estimates" might be better.

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⁸ <http://www.aandc-aandc.gc.ca/eng/1425477312133/1425477531299>

⁹ This is a fairly arbitrary number but is used to show that even in a very conservative calculation, the infrastructure deficit is severe on reserve.

~~On a national scope,~~ The Assembly of First Nations (AFN) has estimated that ~~across Canada~~ capital expenditures on reserves are underfunded by \$169 million to \$189 million annually and operations and maintenance expenditures by \$11 million. Furthermore, the AFN reports that 40 new schools, costing \$12.5 million each, and 85,000 housing units would have to be built just to meet current needs.¹⁰ These figures ~~are fine~~ supported ~~by a report from the Canadian Centre for Policy Alternatives, in the report titled Delivering the Goods: Alternative Federal Budget 2015, by the Canadian Centre for Policy Alternatives, which, estimated that~~ by 2034, there will be a housing shortfall of 130,197 units, a need for an additional 11,855 units to replace existing ones, and approximately 10,000 units requiring major repairs, ~~and which will. This requires~~ an investment of nearly \$1 billion per year.”

The AFN reported in 2001 that 85,000 new units needed to be built, while the Federal Government estimates that 20,000 to 35,000 units need to be built. In addition, the AFN reports that \$500 million is needed for schools. According to the AFN, the total cost needed for housing is \$21.25 billion, yet according to the Federal Government, the total cost for housing is within the range of \$5 billion to \$8.75 billion, displaying the ambiguity and lack of transparency that surrounds the First Nations housing deficit.

~~Figure 2 and Table 1. The tables below both based on numbers taken from detail figures extracted from~~ the AANDC's National First Nations Infrastructure Investment Plan 2014--2015, ~~indicate which includes~~ previous-year spending along with planned spending ~~to up to~~ the fiscal year ~~of 2018--19 and detail. Below are charts detailing of the breakdown of regional spending for gGrants and cContributions~~

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Commented [B17]: just for repairs? or “all of which”?

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Commented [B20]: Also noted just above? (“the AFN reports that 40 new schools, costing \$12.5 million each ...”)

Commented [B21]: ? “ambiguity” implies unclear meaning or vagueness - “confusion and lack of consensus”?

¹⁰ <http://www.cbc.ca/news/canada/shacks-and-slop-pails-infrastructure-crisis-on-native-reserves-1.1004957>