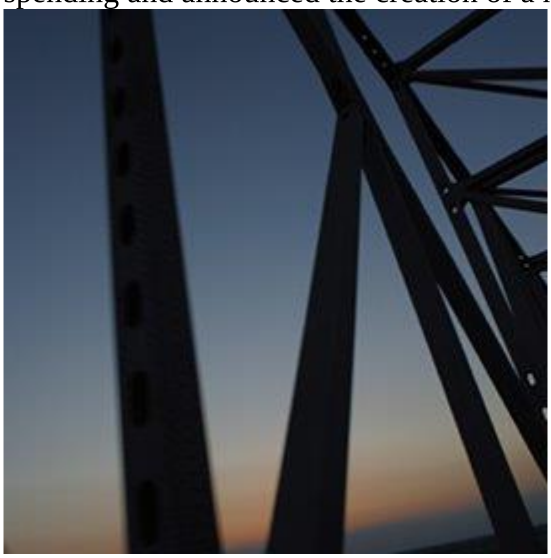
DAILY COMMERCIAL NEWS

Liberals boost infrastructure spending

by Angela Gismondi Nov 10, 2016

In its fall economic statement, the federal government substantially boosted infrastructure spending and announced the creation of a highly anticipated infrastructure bank.



While stakeholders say the additional funding is welcome news, they agree it is not going to solve all the infrastructure needs across Canada.

Finance Minister Bill Morneau delivered the statement in the House of Commons in Ottawa Nov. 1. Titled A Plan for Middle Class Progress the update forecasted a lower deficit for the current year than was predicted in the spring budget and adds billions more in infrastructure spending.

"I think it's a bold economic statement," said John Gamble, president and CEO of the Association of Consulting Engineering Companies — Canada. "If it works, Minister Morneau is going to be a genius and if it doesn't work there is going to be a lot of angst about this course of action.

"The minister is taking a big risk here and I sincerely hope it pays dividends for the sake of not only our industry, but for Canadian taxpayers and municipal ratepayers."

One of the highlights of the federal government's spring budget was the $120-billion infrastructure plan over 10 years. In the fall economic update, the government announced it is now planning to spend a total of $180 billion for projects rolling out through to 2027-28.

"What it means is we will be able to build more infrastructure than we initially committed to," said Amarjeet Sohi, minister of infrastructure and communities. "We will be investing over $180 billion over the next 12 years so it gives more money to municipalities, to provinces as well as gives them more predictability over the long-term. I think that is very important from the (construction) industry's point of view so they can plan their long-term plan knowing that the government is going to invest this much money in the infrastructure over the next 10 to 12 years. We have given that kind of certainty."

Bill Ferreira, vice-president of government relations and public affairs with the Canadian Construction Association (CCA), said the funding will do just that. "It's now phased in over 11 years as opposed to 10 so it will provide additional certainty for the industry and hopefully help avoid the peaks and valleys that traditionally accompany infrastructure renewal," he said.

The government is also planning to invest an additional $81 billion in public transit and green and social infrastructure as well as new areas such as transportation infrastructure that supports trade and rural and northern communities.

"Despite our ambitious plan, the infrastructure needs in our communities outweigh what we are investing," Sohi stated. "There's a lot of need in keeping what we have... but we also need to build more new infrastructure to keep pace with the growth of our population and our communities."

The economic statement also announced the launch of the Canada Infrastructure Bank, an arm's-length organization that will change how infrastructure projects are planned, funded and carried out in Canada.

Its creation is a key recommendation that came recently from the Advisory Council on Economic Growth. The infrastructure bank will be responsible for investing at least $35 billion from the federal government into large infrastructure projects through loans, loan guarantees and equity investments, a release indicates. Part of this amount — $15 billion — will be sourced from the additional $81 billion that was announced. The bank will also make close to $20 billion available for municipalities and provinces in loan guarantees and low cost loans. It will be financed and booked as equity or debt and therefore not result in a fiscal impact for the government.

"The role of the bank will be to assist municipalities in building more public infrastructure by making more private sector capital available and creating conditions where the private sector feels comfortable investing in public infrastructure," said Sohi. "As well as building a centre of excellence and expertise to advise our partners on procurement practices, construction practices and the capacity to engage with the private sector. The overall objective is to mobilize private capital and the building of public infrastructure more and beyond what we can do with the traditional grant funding."

Gamble pointed out the funding will not address all of the country's infrastructure needs.

"While it is a step in the right direction, it's still not going to address the entire infrastructure deficit," Gamble stated. "It doesn't replace the need for routine municipal infrastructure, the stuff that ratepayers deal with on a day-to-day basis."

There are a few caveats, he noted. From the municipal perspective, the infrastructure bank will be more conducive to large-scale projects such as transit or major water systems.

"Who is going to benefit from this? It's going to be the large scale projects where there is a revenue stream because the investors — if the federal government is successful in attracting investors — they're going to want to see a return on investment," said Gamble. "It lends itself well to those projects where you either have transit fees or user fees or some sort of tolling system where there is a revenue attached to it."

Concern has been expressed regarding where the seed money for the bank will come from and if it will be taken out of the $120-billion infrastructure program the government committed to in Budget 2016. Sohi confirmed the funding for the bank will be on top of what the government committed to municipalities initially.

"Out of that $180 billion, only $15 billion will be taken to capitalize the bank, so there is more money available for municipalities in a traditional grant method," Sohi stated. "Having said that, our hope is to leverage that $15 billion for every dollar of public funds with $3 to $4 of private capital so we can build more infrastructure."

The new trade and transportation infrastructure fund was also announced as part of the economic update.

"That will help goods get to the market quicker and it will help us build trade and transportation corridors to move goods, services and people more efficiently and improve productivity of our companies, our businesses and our workers," said Sohi.

Ferreira said the CCA is particularly pleased with the government's decision to set aside funding to support trade enabling infrastructure.

"We're happy not only that it was intended as a separate pot of funding, but also that it's part of the bank's mandate to help support private sector initiatives to develop some of that trade enabling infrastructure, particularly in rural regions," said Ferreira.

"It ensures that with all the effort that has been put into signing trade agreements around the globe, that we're not going to miss out on opportunities to expand our trade with these economies because our infrastructure is inadequate or not up to the capacity required to be able to benefit from increased trade flows."