



INFRASTRUCTURE INVESTMENT & POLICY



REPORT

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Canada

Construction Alliance Says Infrastructure Gap Poses Threat to Overall Economic Growth

OTTAWA—Canada’s ongoing under investment in infrastructure development and maintenance poses significant risks to overall economic growth, and particularly wage levels, productivity, and competitiveness, the executive director of the Residential and Civil Construction Alliance of Ontario said July 20.

The significant infrastructure spending that was the highlight of the federal government’s stimulus spending in response to the recent economic downturn put only a small dent in the overall infrastructure gap, and Prime Minister Stephen Harper has already confirmed the government’s “exit strategy” from the stimulus spending, Executive Director Andy Manahan told BNA.

“That concerns us, as infrastructure spending appears to be seen as cyclical, and we’re looking for an approach that’s more predictable,” he said.

Manahan said it takes time to ensure the development of a skilled construction workforce, and an infrastructure development system that goes from frantic activity to a dead stop makes that more difficult, he added. While contractors across Canada, and particularly in Ontario, see 2010 as a very good year because of the federal infrastructure spending, the government’s decision to end its stimulus program in 2011 is an issue, he said.

“I’ve been hearing concerns about post-2011, and what’s going to happen,” he said.

A report recently prepared for the alliance concluded that Canada’s long-term spending levels on infrastructure are inadequate and pose a risk to long-term economic growth and productivity, he said.

The report’s conclusions demonstrate the potential risks of inadequate spending, confirming the “societal risk” the Canadian economy would face if the current

infrastructure spending rate of about 3.1 percent of overall gross domestic product continues over the next 50 years, he said.

Given the estimates by the Federation of Canadian Municipalities of a C\$123 billion (\$117 billion) infrastructure investment gap and the fact that the recent stimulus spending represented a “drop in the bucket” in addressing it, the situation should be addressed on an urgent basis, he said.

“It now appears that we are at risk of future underinvestment while living in a situation of a current infrastructure deficit,” he said.

Reports Cites Clear Linkages. The report, prepared by Toronto-based management science firm RiskAnalytics, was released July 15 by the construction lobby group. The report noted that while it is well known that the quality and quantity of infrastructure has a direct impact on the operation and growth of societies, individuals and businesses do not yet directly connect underinvestment in infrastructure development to their personal prosperity.

“Our findings create a clear linkage between sustained investment in infrastructure and the prosperity of individual Canadians. Over the next 50 years, there is the risk of public infrastructure underinvestment that could cost the Canadian economy 1.1 percent of real gross domestic product growth,” it said. “These risks have largely escaped public attention, despite the recent global focus on infrastructure investment as a short-term stimulus measure.”

The infrastructure spending gap could cost the average Canadian worker between C\$9,000-C\$51,000 (\$8,550-\$48,450) and could decrease the after-tax profitability of Canadian businesses by a long-term average of 20 percent, it said. That puts the younger generation of Canadian workers disproportionately at risk, as well as businesses with long-term goals, it said.

The report warns, however, that addressing the infrastructure spending gap will take more than increased spending, as that approach does not guarantee the best possible growth path for the Canadian economy. Gov-

ernments should establish long-term infrastructure policies that maximize future growth by providing a more stable source of infrastructure spending, it said.

By PETER MENYASZ

The report, Public Infrastructure Underinvestment: The Risk to Canada's Economic Growth, is available at http://www.rccao.com/news/files/RCCAO_Report_JULY2010_LOWRES.pdf.