

Liberals not scaling back infrastructure plans despite deficit concerns

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Liberal pledges of major new infrastructure spending will start to roll out “very soon” and the federal Infrastructure Minister says there is no question of scaling back the \$60-billion program over deficit concerns.

In an interview with The Globe and Mail at his government office in Ottawa, Infrastructure Minister Amarjeet Sohi said the Liberals actually have billions in additional cash to spend because the previous government was slow to devote promised infrastructure money to specific projects.

“We need to make these kinds of investments,” he said when asked whether the government may spend less on infrastructure in light of indications that annual deficits will be larger than promised during the election campaign.

“We are committed to making \$60-billion in additional investments over 10 years,” he said.

Facing a weakening economy and the potential of larger-than-promised deficits, the new government has a lot riding on the shoulders of Mr. Sohi, a former Edmonton city bus driver and city councillor who was elected for the first time federally in October.

The Liberals need their ambitious new infrastructure program to deliver an economic boost. The government’s recent fiscal update downgraded federal expectations for real GDP in 2016 to 2 per cent, down from the 2.2 per cent forecast in the budget. The growth forecast for 2015 was revised down to 1.2 per cent from 2 per cent. The party platform promised the \$60-billion in additional infrastructure spending would be split evenly among public transit, social infrastructure and green infrastructure.

However, the Liberals also promised that this could be accomplished while keeping annual deficits under \$10-billion a year. Prime Minister Justin Trudeau confirmed this week the deficit target may not be met. He said the government would focus on shrinking the debt in relation to the size of economic growth and ensuring that the books are returned to balance before the next election.

Private-sector economists are attempting to estimate how much additional economic growth can be expected as a result of the infrastructure spending, but much depends on when construction will actually start on promised projects including roads, bridges, transit and social housing.

The minister promised to start making spending announcements “very soon.”

Mr. Sohi did not have a precise explanation as to how the plan will help the economy, but he pointed to estimates that found 18,000 jobs are created for every \$1-billion spent on infrastructure.

To get money flowing more quickly, the minister has removed previous requirements for municipalities to seek out public-private partnerships.

Economists are urging Ottawa to ensure that money does go toward projects that provide long-term gains to the economy – such as transit – rather than simply approving “shovel-ready” projects for short-term gain.

“They really need to think about the future,” National Bank chief economist Stéfane Marion said. “I don’t think you can spread the infrastructure spending all across the country. ... I would suggest that the large urban areas are extremely important.”