Pace of infrastructure spending questioned

Ottawa Community News
Jan 11, 2017

OTTAWA — The federal Liberals were warned months ago that the design of their vaunted infrastructure program could leave the government with little ability to spend money quickly if provinces and cities took their time with projects.

An internal analysis of the Liberal infrastructure program — a cornerstone of the government's economic agenda — suggested that the Liberals were giving up control over how quickly money could be spent in exchange for providing provinces and territories with as much flexibility as possible in the first phase of the program.

The underlying message in the document was that the risks inherent in the program's design could see the Liberal program succumbing to the same problems as the Conservative infrastructure stimulus program from 2009, namely that money isn't spent on time and that the promised economic benefits don't materialize on time.

The documents, released to The Canadian Press under the Access to Information Act, were delivered to Infrastructure Minister Amarjeet Sohi in May ahead of a meeting with auditor general Michael Ferguson.

The department told Sohi that, among other oversight measures, it planned to step up informal contacts with provinces and territories to catch problems. Officials wrote that targeting repairs, renovations and planning projects during the first phase of spending would also eliminate delays usually associated with large-scale construction projects.

A spokeswoman says the department has not had to substantially alter how it delivers funds to provinces and territories and that officials haven't found any significant risks with projects that could impact the delivery of funds. Internal department auditors have found that oversight has been "generally effective," suggesting two changes that managers have since made, said spokeswoman Jen Powroz.

The department has thus far approved more than 800 projects for funding, which represents a commitment of about $2.4 billion.

A report this week from the parliamentary budget watchdog found that infrastructure money budgeted for this fiscal year was flowing more slowly than anticipated. The watchdog's report found that federal transfers made by the Transport and Infrastructure departments over the first half of 2016-17 dropped by $100 million compared with the year before.

Generally, spending on new infrastructure programs starts slow and takes at least three years to hit full steam.

Even then, money often isn't spent in the same year it was budgeted: The federal government only reimburses construction costs after it receives receipts. Past experience has found that receipts can sometimes come in at the end of a project, months after expenses were actually incurred.

The documents to Sohi suggest that setting deadlines to submit expense claims wasn't a surefire way to get the promised cash out the door quickly, especially for provinces and territories with little financial wiggle room or "operational capacity." There was also a risk that the department wouldn't be able to "course-correct" projects that faced significant issues because provinces and territories face minimal reporting requirements, officials wrote.

There could also be limited abilities to challenge proposed timelines and project risk assessments because detailed project schedules weren't required; an attestation from a "senior official" sufficed. Powroz said department officials have had no issues with its oversight and challenge function.

The lessons learned from handling this first tranche of projects will be used to prevent the same mistakes from occurring during the second phase of the program, when tens of billions of dollars in new infrastructure is set to flow.

— Follow @jpress on Twitter.

By Jordan Press, The Canadian Press