

Liberals' promised infrastructure spending slow to get out the door: PBO

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OTTAWA - The Trudeau government may fall short of spending all the money it planned to devote to infrastructure in the first year of its mandate, says a new analysis released Tuesday by the federal budget watchdog.

The parliamentary budget office found that some of Ottawa's planned infrastructure investments failed to materialize in the first half of 2016-17 and it warned a chunk of the cash may have to be spent in the future.

"There is a growing risk that money the government originally expected to be spent in 2016-17 will be deferred to subsequent years," said the report published by parliamentary budget officer Jean-Denis Frechette.

A delay in government spending could affect the timing of the investments' primary objective: to help lift the country's slow-growth economy.

The Liberals won the 2015 election on a platform that vowed to run a string of deficits in order to spend tens of billions over the next decade on infrastructure.

In last year's budget, the government projected infrastructure spending to boost real gross domestic product — a measure of economic growth — by 0.2 per cent this year and 0.4 per cent in 2017-18. It's unclear whether a spending delay would have an impact on growth in 2016-17.

Canada's real GDP is projected to increase by a lacklustre 1.2 per cent in 2016 and two per cent in 2017, according to an average of private-sector forecasts released by Ottawa last fall.

Frechette's report said Ottawa's budget and fall economic statement both laid out plans to transfer \$3.5 billion in new federal infrastructure money this year to other levels of government.

But it added 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.

A spokesman for Infrastructure Minister Amarjeet Sohi wrote in an email Tuesday that government spending "can lag behind the pace at which projects are built because project costs are reimbursed once expense claims are submitted to the department."

Over the summer, Sohi signed bilateral infrastructure deals with all provinces and territories, Brook Simpson wrote. He added that Sohi has approved more than 1,000 projects across Canada and more than 65 per cent of them have begun.

Simpson said it's more than the five previous years combined.

On Tuesday, the Infrastructure Department's website showed about \$2.5 billion worth of projects had been approved. However, this total did not reflect how much had been spent.

The budget office said this type of spending delay is nothing new — and would be consistent with the slower-than-expected government plans to finance infrastructure projects in the past.

The watchdog's analysis of the 2009 federal infrastructure stimulus package — introduced by the previous Conservative government — found that it took around six months before a material increase in public fixed capital investment could be detected.

"Two quarters following budget 2016 (tabled in March), there is no similar growth," Frechette's document said.

"As such, there is a growing risk that money the government originally expected to be spent in 2016-17 will actually generate economic activity in subsequent years."

It added that the Infrastructure Department has long faced challenges dispensing cash allocated to it by Parliament. The department didn't spend at least \$400 million a year since 2009-10 and, in 2010-11, it had leftovers of nearly \$3 billion, the report said.

The budget office also pointed to potential challenges that were listed in the Infrastructure Department's most-recent quarterly financial report, including administrative delays caused by limited staff availability to support current programs.

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