

Countdown to the budget: Keep a close eye on infrastructure spending

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The new Liberal government is set to release its inaugural federal budget next week. The government has already indicated it will run deficits for the next few years and undertake a massive infrastructure spending program it hopes will help to jump start Canada's weak economy. But what else could be included in the budget? And will any of that help workers hit hard by the collapse in oil prices?

BNN put those questions, and more, to Canadian economists and business leaders.

BNN kicked off its countdown to the budget by asking five hot button questions about the budget to Finn Poschmann, President and CEO of the Atlantic Provincial Economic Council.

The Liberal government has already promised it will borrow money to pay for infrastructure spending, but Poschmann says Ottawa needs to watch its debt load carefully and ensure it doesn't get out of control. He warns that borrowing on behalf of the provinces or setting up a so-called infrastructure bank to fund those projects is a mistake. "It's a bit of a shell game that buries the real cost of borrowing money," he says.

While Ottawa is under pressure to roll out stimulus spending it needs to take its time and ensure it chooses the right projects to ensure it gets the best bang for its buck, he says. "There is something about infrastructure spending that makes us all go a little silly from time to time."

That infrastructure spending program is no panacea for Alberta – the province hit hardest by the collapse in energy prices, says Poschmann. Alberta already has solid infrastructure but has high government program costs that are outpacing the fall in oil revenues.

Ottawa needs to ensure its policies encourage investment in Alberta once oil prices rebound while Alberta needs to tighten its financial management, he says. "Albertans need to be a little tighter in how they manage their government so when the cycle

comes around again – and it always does – they are better prepared for it than they have been the last three times.”