

Ottawa eyes faster infrastructure spending to revive economy

[Robert Fife](#) - OTTAWA BUREAU CHIEF

The Globe and Mail

Thursday, Jan. 14, 2016

The Liberal cabinet is looking at fast-tracking infrastructure projects and enacting measures to spur energy-efficiency retrofits of buildings and homes to kick-start an economy beset by collapsing oil prices and a tumbling Canadian dollar.

There is a developing consensus at the highest levels of the government that short-term infrastructure spending is needed rather than the longer-term productivity-enhanced projects as set out in the Liberal election platform.

Trudeau: Infrastructure spending a 'solution' for economic woes (CP Video)

A senior government official told The Globe and Mail that Finance Minister Bill Morneau and cabinet are examining three ideas for a March budget that could pump immediate cash into the economy and create jobs across the country:

- Speed up infrastructure spending on transit and social housing
- Energy retrofitting of large commercial buildings
- Home energy-efficiency measures

The Liberals promised to spend \$60-billion over the next decade on infrastructure, but only \$17.4-billion was earmarked for the next four years.

“The situation has deteriorated since our platform last July,” said a senior federal official, who was not authorized to speak on the record.

Attending a function at a refugee centre in Toronto, Mr. Morneau wouldn't rule out short-term spending on infrastructure to boost the economy.

“[The budget] will include significant infrastructure spending, but the exact details of the budget we haven't completed yet, so I can't provide more information about the exact numbers,” he told reporters.

Prime Minister Justin Trudeau has also been seeking advice from Canadian corporate leaders on ways to stimulate the economy.

The government is particularly alarmed about the impact that the steep decline in oil prices is having on Alberta, and is sending senior officials to the province for private consultations with business leaders and NDP Premier Rachel Notley.

“We are very concerned about what is happening in Alberta,” said the official, speaking about the deterioration in Canada’s commodity-heavy economy. “It is a very serious situation.”

New figures from Western Economic Diversification, the regional development agency for Western Canada, project a 1.2-per-cent decline in Alberta’s annual economic output for 2016 from a 4.8 per cent increase in 2014. Unemployment is projected to rise to 6.7 per cent this year from 4.7 per cent in 2014.

Mr. Trudeau, who met with Toronto Mayor John Tory on Wednesday, said his government’s primary priority is to revive a sluggish economy.

“Canada needs more jobs and greater growth to ensure that we are spending on the right things to create jobs and economic activity right now,” Mr. Trudeau said in his first comments on the economy in the New Year.

Mr. Tory said Toronto could get people working right away if the budget provides immediate money for affordable housing and transit.

“This is going to make a big contribution soon to putting people to work, to building necessary infrastructure, but also to supporting the growth of other jobs in our city that is going to be necessary to Canada’s growth and our own growth,” he said.

Federal ministers and Liberal MPs have been told to reach out to mayors in their communities for advice on infrastructure spending and for possible stimulus measures to be included in the budget.

However, the senior official said the Liberal government will not fund political pork-barrel projects, such as community hockey arenas or curling clubs that were funded by the former Conservative government.

Even though the low loonie has driven up costs such as food prices, the official said the government is pleased consumer spending is still holding up well. It expects the middle-class tax cuts will keep Canadians shopping.

The official would not speculate on whether the Bank of Canada will cut its key lending rate next week in response to concerns that the oil-price shock could drive the economy back into recession.

Mr. Morneau did meet with Bank of Canada Governor Stephen Poloz for three hours last week before the Finance Minister began his cross-country budget consultations.

The central bank's quarterly Business Outlook Survey concluded that business sentiment has eroded, while investment and hiring intentions have fallen to their lowest levels since 2008.

In his discussions with business leaders, the Prime Minister has sought input on what he should say when he speaks to the World Economic Forum next week in Davos, Switzerland. The annual event attracts some of the world's richest entrepreneurs.

Mr. Trudeau is being advised to play up the economic potential of investing in Canada, led by a new activist federal government.

"We believe in investing in the economy. So if you are looking for a place with no uncertainty, a great workforce and strong fundamentals, that will be the Prime Minister's message," the official said.