

# Ottawa's infrastructure gravy train

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National Post View:

Monday was the day the federal gravy started flowing in provincial capitals across the country. In individual letters to each of the provinces and territories, Infrastructure Minister Amarjeet Sohi revealed just how much cash would flow to local projects. There's \$2 billion for Ontario from the two main Liberal programs for transit and water projects, \$444 million for Alberta, \$1.3 billion for Quebec, \$685 million for British Columbia. Even little Prince Edward Island will get \$56 million (though only \$660,000 of it for transit).

"As I'm sure you agree, infrastructure is not an end in itself – it is the means with which we build a more prosperous, inclusive and sustainable country," Sohi wrote.

As federal spending goes, infrastructure is famously unsexy. Or used to be. Lately it's become all the rage, partly because the term now seems to include pretty much anything the government feels like spending money on.

"It goes beyond concrete and water pipes," Sohi asserted in his letters. "It is what allows Canadians to get to work on time and return home to their families faster at night, it helps victims of domestic violence find shelter and it provides facilities for kids to learn and build the networks that will support them throughout their lives."

As if that definition wasn't broad enough, Sohi revealed that several new types of "infrastructure" would be eligible for federal cash. The New Building Canada Fund, introduced by the Conservatives, will be altered to include tourism, culture, recreation, passenger ferries and "civic assets and municipal buildings."

Just what these new categories encompass wasn't spelled out in detail, but gazebos in cottage country spring to mind. Opposition parties made great hay of former treasury board president Tony Clement's use of "infrastructure" funding — meant to reduce border congestion — as a piggy bank to erect bandshells, public washrooms and gazebos in his Muskoka riding in Ontario in 2010. Under the Liberal criteria, Clement could have sought funding for "civic assets" and doubled or tripled his gazebo count.

The Liberals say the money remaining in the New Building Canada Fund will all be spent in the next two years. They plan to spend \$120 billion in all, over 10 years. The plan is popular because it will supposedly stimulate the economy, which is already growing at a moderate pace. It is especially attractive to the provinces because it comes to them as "free money."

It's not really free, of course. It must all be paid for in taxes now, or borrowing now and taxes later as interest costs mount. Nor will it necessarily stimulate the economy. Pure Keynesian theory holds that all government spending helps in a recession, no matter how pointless. Keynes' famous example was burying banknotes in old bottles, so workers could be hired to dig them up. Today, however, there is a consensus that money should be spent on something genuinely beneficial.

Whether the Liberal plan meets that standard remains in doubt. It promises to rush cash out the door as quickly as targets can be identified. "We will flow funds rapidly to ensure that projects can begin immediately," Sohi pledges. To that end, Ottawa is willing to put the broadest possible interpretation on the term "infrastructure." Roads and bridges certainly qualify, as do water and sewer projects. All fall under the mandate of governments, are essential parts of a healthy and growing economy, and continue to contribute to growth after the initial outlay. The same can't necessarily be said for culture, recreation or tourism. Hockey rinks and arts centres may be popular, but have a limited impact on local economies. Clement probably thought his gazebos would spur tourism in Muskoka, but the thesis is doubtful, and Muskoka has much greater attractions than a few gazebos anyway.

It is very predictable that those in line to receive the money will loudly proclaim its benefits. And since the benefits are concentrated and costs dispersed, those who will pay — i.e., taxpayers — are largely silent. The result is a decision-making process driven not by economic but by political gain, which is the great danger of ambitious spending programs. Opposition parties regularly accused the Conservative government of using "stimulus" funds to boost Tory interests. The Liberals are subject to the same temptations.

Despite its eagerness to start spending, the Trudeau government must be careful in evaluating funding requests to ensure there is an authentic benefit to the economy beyond the initial fillip. And it needs to tighten its definition before "infrastructure" becomes a synonym for "boondoggle."

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