Liberals bait-and-switch on infrastructure

BY TOM PARKIN, OTTAWA SUN

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"Something is going on here. We are sounding the alarm bells," NDP Finance Critic Guy Caron said in a recent interview.

Caron, an economist before entering politics, points to two recent government documents. In dense, technocratic business language they set out the Liberals' plan to use private financing for infrastructure projects.

"They didn't say a word about this during the campaign," says Caron.

Indeed, the Liberals' central election pitch was that historically low interest rates made it a good time to run public deficits to fund infrastructure. Now they're switching to private investment.

Public, private, whatever. As long as infrastructure like bridges, ports and transit gets built, who cares, right?

The economist does. "Governments can borrow at between 2 and 3% right now. If you're going to give the private investors what they want, it'll be more costly," says Caron.

Caron reads from a recent speech by Michael Sabia, CEO of a $250 billion investment fund, who's on the Liberals' economic advisory council. Sabia says institutional investors want a 7 to 9% return on infrastructure investment.

Higher-priced private finance will add big costs to infrastructure projects, argues Caron, who's strongly rumoured to be mulling a run for the NDP leadership. He points to work by fellow economist Toby Sanger showing private investment on a $100 million project will cost $130 million more over 30 years – doubling the project budget.

The advisory council recommending the private finance switch is a 14-member panel of top executives from some of the world's largest investment funds.

The kind of people on the hunt for a better return. And maybe a bigger bonus.

"You have people advising the Minister of Finance, giving that kind of advice which they will directly benefit from," Caron says.

The government even let McKinsey management consultants – a global firm that's previously supported infrastructure privatization – do all the analysis for free. How sweet.

Their report – pages 6, 9, 11 and 13, my avid researchers – makes it clear that to attract their investment, infrastructure needs a “revenue stream.”

“That’s new or higher tolls, fees and prices as a return on investors’ money. And the government is not admitting to this,” he says.

Was the Liberals’ whole infrastructure promise a bait-and-switch move?

Last month the Liberals asked Credit Suisse – a global investment bank that has helped in privatizing infrastructure – to analyse the benefit of airport privatization. Their report is due next month. Expect the expected.

Now Morneau’s advisory council report recommends a “flywheel of reinvestment” that will “amplify” the “massive storehouse” of public infrastructure. That gibberish means using valuable public ports, arenas, roads, bridges, transit and airports to attract more investment. OK, but how?

The report’s authors don’t say. They do say the flywheel plan “does not necessarily mean an outright sale or 100 per cent transfer” of public infrastructure. “In many cases, the Federal government could retain control of these assets.” The Infrastructure Bank “will be well-positioned to structure and deliver on these transactions.”

Not necessarily. Many cases. Could retain. Delivered by the Infrastructure Bank. C’mon, in plain talk – is the Liberals’ Infrastructure Bank a privatization desk?

“We’re asking the questions now. But we’re not getting much by way of answers,” says Caron.

Many saw deficit-paid infrastructure as a triumph over austerity and orthodox thinking. That hook sunk deep. But, seeing this switch, maybe it was it just a coded signal to the money men.

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