



Sinkholes are a sign street maintenance has been neglected. BORIS MINKEVICH/WINNIPEG FREE PRESS

PROVINCES CUT INFRASTRUCTURE INVESTMENT AS FEDERAL CASH FLOWS IN: PBO

MANITOBA DRAMATICALLY REDUCED TOTAL CAPITAL INVESTMENT

The promise of increased federal cash for critical infrastructure across Canada was supposed to hike investment nationally, but that's not what happened, according to the Parliamentary Budget Officer.

In 2017-18, alone, Manitoba cut its capital expenditures by a whopping \$642 million, compared to 2015-16 – despite the fact the federal government's Investing in Canada Plan flowed \$141 million that year to the province, the PBO's infrastructure update report states.

Most provinces saw total capital expenditures rise in 2017-18.

Overall, however, across Canada the infrastructure transfers from Ottawa did not produce the boost that the funding injection intended, the PBO infrastructure investment update notes.

It appears the provinces yanked their own investment plans, as federal government cash flowed in from Ottawa's Investing in Canada Plan.

The report, published March 13, states, "according to their 2016-17 and 2017-18 budgets, provinces were planning to spend \$100.6 billion themselves in capital. Instead, they invested \$85.1 billion."

As a result, the Trudeau government's Investing in Canada Plan had no "incremental" impact on provincial capital investment between 2016 and 2018.

"We think federal infrastructure programs ought to enhance total investment in our infrastructure – especially as it relates to transportation assets," MHCA President Chris Lorenc said. "That is where we can see the maximum economic boost – trade increases, jobs are created and incomes rise. We all benefit."

The PBO analysis tracked expenditures through federal and provincial accounts, which show actual vs. budgeted expenditures. Taking into account a number of factors that have historically altered forecasted

expenditures, it found that "provincial capital spending was \$3.8-billion lower than what it would have been in the absence of the IICP."

Municipalities, on the other hand, did boost total investment. The PBO analysis looked at investment in Canada's five largest cities (which excluded Winnipeg) and found that overall, infrastructure investments rose by about \$1 billion. Generally, "municipalities respected the condition of incremental funding to be eligible for federal funds."

There was an economic cost to the provinces' displacing their own funds with the federal capital transfers.

The PBO report calculated what might have happened to the economy had the federal transfers enlarged total provincial expenditures.

"Our results indicate that real Gross Domestic Product could have grown between 0.15% to 0.16% in 2016-17, if provincial governments had kept investments levelled with the PBO's post-IICP benchmark," the report says. "Employment levels could have also increased in the range of 7,550 to 8,098 over the same period."

There is a fix for this problem.

The PBO notes that Infrastructure Canada does not track whether what is intended to be incremental funding actually boosts total investment in infrastructure.

Lorenc said that there must be some stick to the carrot. In other words, if provinces do not use the federal funds as incremental to their planned expenditures, there should be a potential for clawback.

Increased infrastructure funding is intended as an investment in our communities. And one of the biggest boosts from those investments is to the GDP – investment in transportation infrastructure, for example, boosts GDP by \$1.30 for every \$1 invested. >>>

PROVINCIAL CAPITAL SPENDING IN 2017-18 (MILLIONS)

	NET PROVINCIAL SPENDING		FEDERAL TRANSFERS	
	2017-18	CHANGE SINCE 2015-16	2017-18	CHANGE SINCE 2015-16
ALBERTA	\$8,544	\$2,272	\$472	\$186
BRITISH COLUMBIA	\$6,034	\$399	\$603	\$237
MANITOBA	\$982	-\$642	\$141	\$63
NEW BRUNSWICK	\$496	-\$25	\$146	\$81
NEWFOUNDLAND AND LABRADOR	\$1,361	\$339	\$129	\$50
NOVA SCOTIA	\$490	\$109	\$181	\$96
ONTARIO	\$14,612	\$2,193	\$788	\$407
PRINCE EDWARD ISLAND	\$68	-\$4	\$45	\$27
QUEBEC	\$8,958	\$1,367	\$615	\$5
SASKATCHEWAN	\$1,277	\$27	\$193	\$113
ALL PROVINCES	\$42,822	\$6,035	\$3,313	\$1,265

Parliamentary Budget Officer, Public Accounts of Canada, provincial Public Accounts and Quebec Infrastructure Plan.

THE CONFERENCE BOARD OF CANADA'S ANALYSIS OF THE MANITOBA GOVERNMENT'S \$1.04-BILLION CORE INFRASTRUCTURE INVESTMENT IN FISCAL 2014-15 SUGGESTS THAT IT HAS HAD THE FOLLOWING

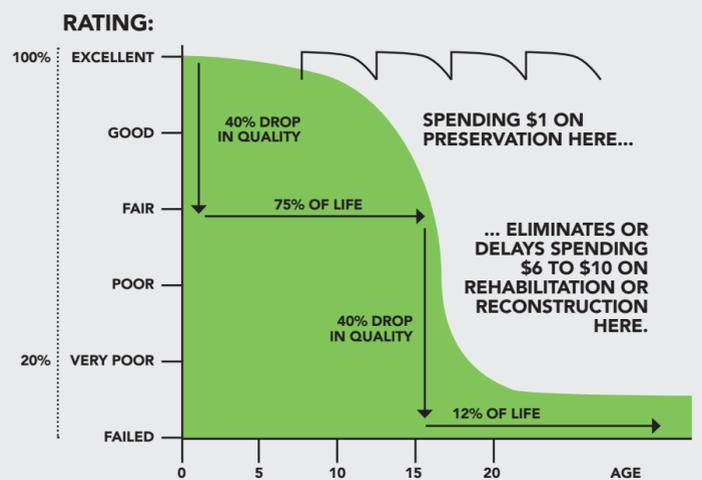
IMPACT ON THE ECONOMY:

- GDP INCREASED BY **\$1.31 BILLION**
- **9,755 JOBS** OR PERSON-YEARS OF EMPLOYMENT WERE GENERATED
- **PERSONAL DISPOSABLE INCOME INCREASED BY A TOTAL OF \$523 MILLION**
- **PROVINCIAL EXPORTS WERE BOOSTED BY \$699 MILLION**

Conference Board of Canada, Manitoba Government Infrastructure Investment Spending in Fiscal 2014-15, Briefing, September 2015

EFFECT OF DELAYING ROAD MAINTENANCE

EXAMPLE OF ASSET DETERIORATION CURVE (ROADS)



Transportation Research Board (TRB), National Research Council, Washington, D.C., TR News, Sept. - Oct. 2003

