CBC Money Page Infrastructure Debate

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Key Messages

1. There has been no growth in private capital formation since 2012. There has been no growth in public capital formation since 2010. Capital investment represents about 20-25% of GDP. Weak investment is a drag on current and future growth. The economy is in a technical recession in 2015. We need to boost our investment rate in Canada to support future growth.

2. Investment in public capital declined in the 1980s and 1990s relative to the size of the economy. The high deficit years over this period likely encouraged restraint on infrastructure spending and contributed to the infrastructure deficit highlighted by Canadian mayors. The spending share on public capital picked up since the late 1990s and appeared to have peaked with the stimulus programs of 2009-10.

Key Messages

3. Government financing of public capital has changed fundamentally since the middle of the last century. The municipal share has almost doubled. The federal share has been cut more than half. At present time, the federal government is contributing only 15 cents on the public dollar

4. The federal government has compounded the problem by not spending all the infrastructure dollars authorized by Parliament in recent years

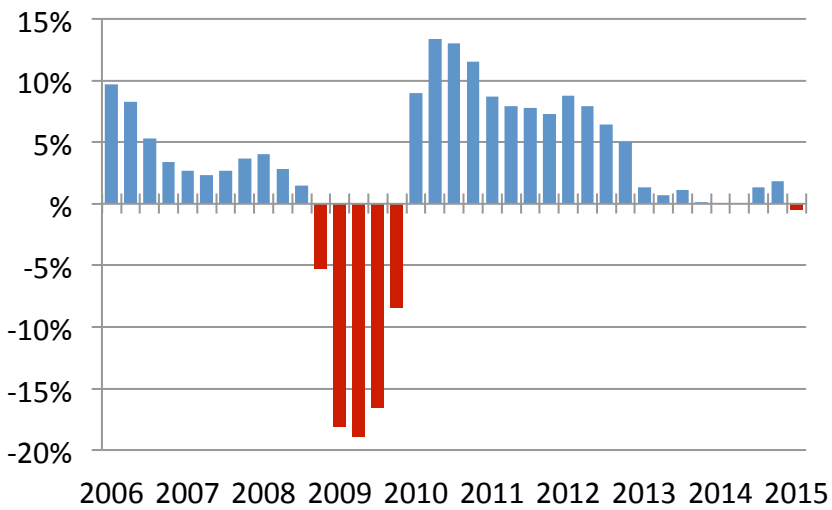
Key Messages

5. There has likely never been a better time to invest in public capital. Economic growth has stalled. Canada is facing significant productivity and aging demographic challenges. We have record low long term interest rates – low cost of borrowing. The highest fiscal multipliers (big bang on the dollar invested) are attributed to infrastructure spending

6. All political parties are saying positive things about the need to increase infrastructure spending. Are we allocating public dollars efficiently? Returning our public investment rate to levels of the 1960s (or investment rates in many other countries) would be equivalent of adding an additional $20 billion a year (1% of GDP).

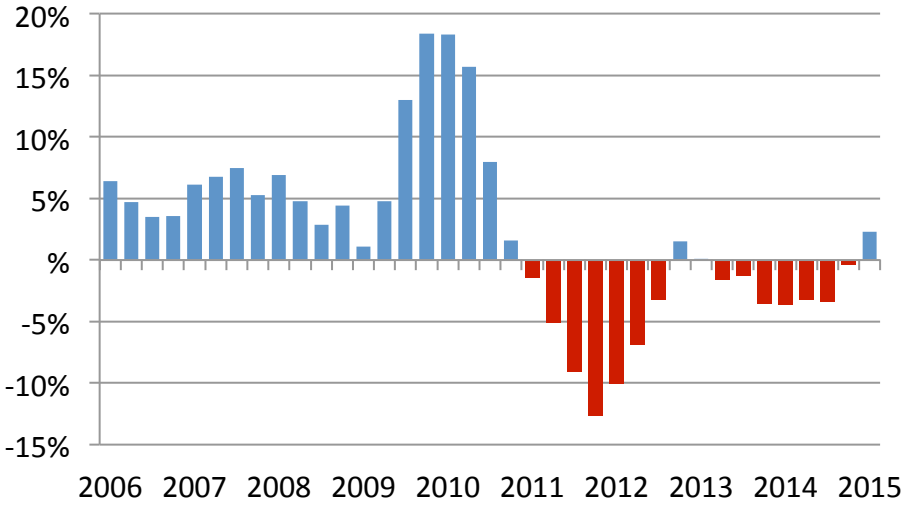
Investment Required for Economic Growth

Total Business Capital Investment, Year-to-Year % Change



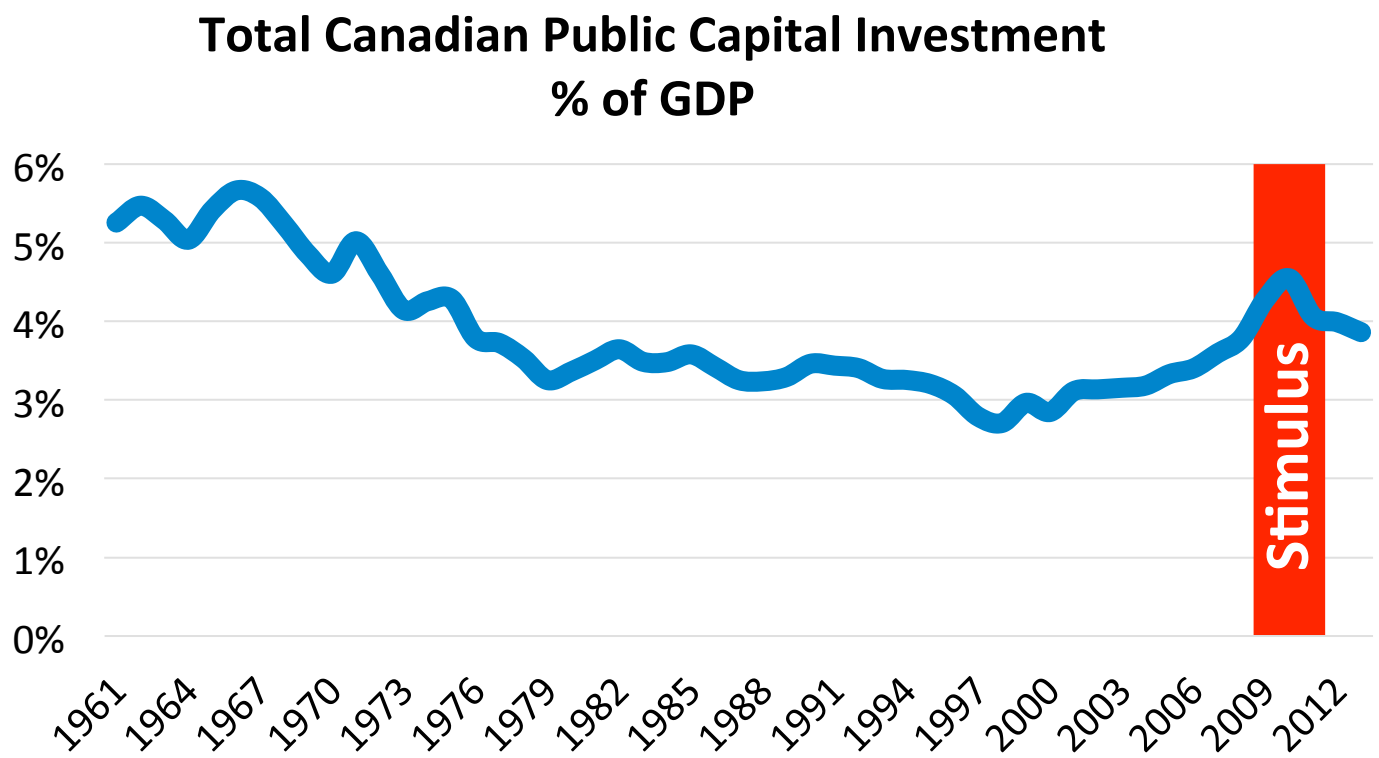
Source: CANSIM 380-0068

Total Government Capital Investment, Year-to-Year % Change



Source: CANSIM 380-0068

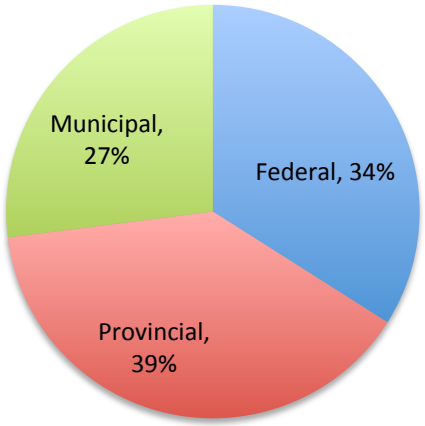
Infrastructure Deficit Created through Low Public Investment in 1980s and 90s



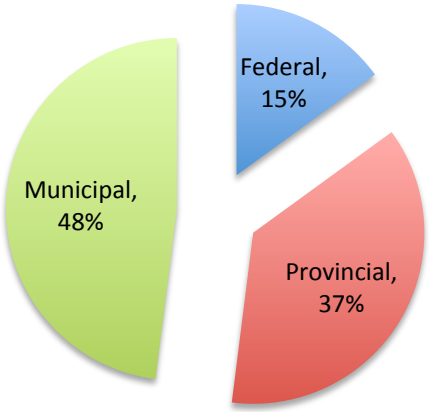
Sources: CANSIM 031-0002; CANSIM 380-0064; CANSIM 380-0017

Federal Government Is No Longer a Big Player in Public Capital

Share of Public Investment by Level of Government in 1955

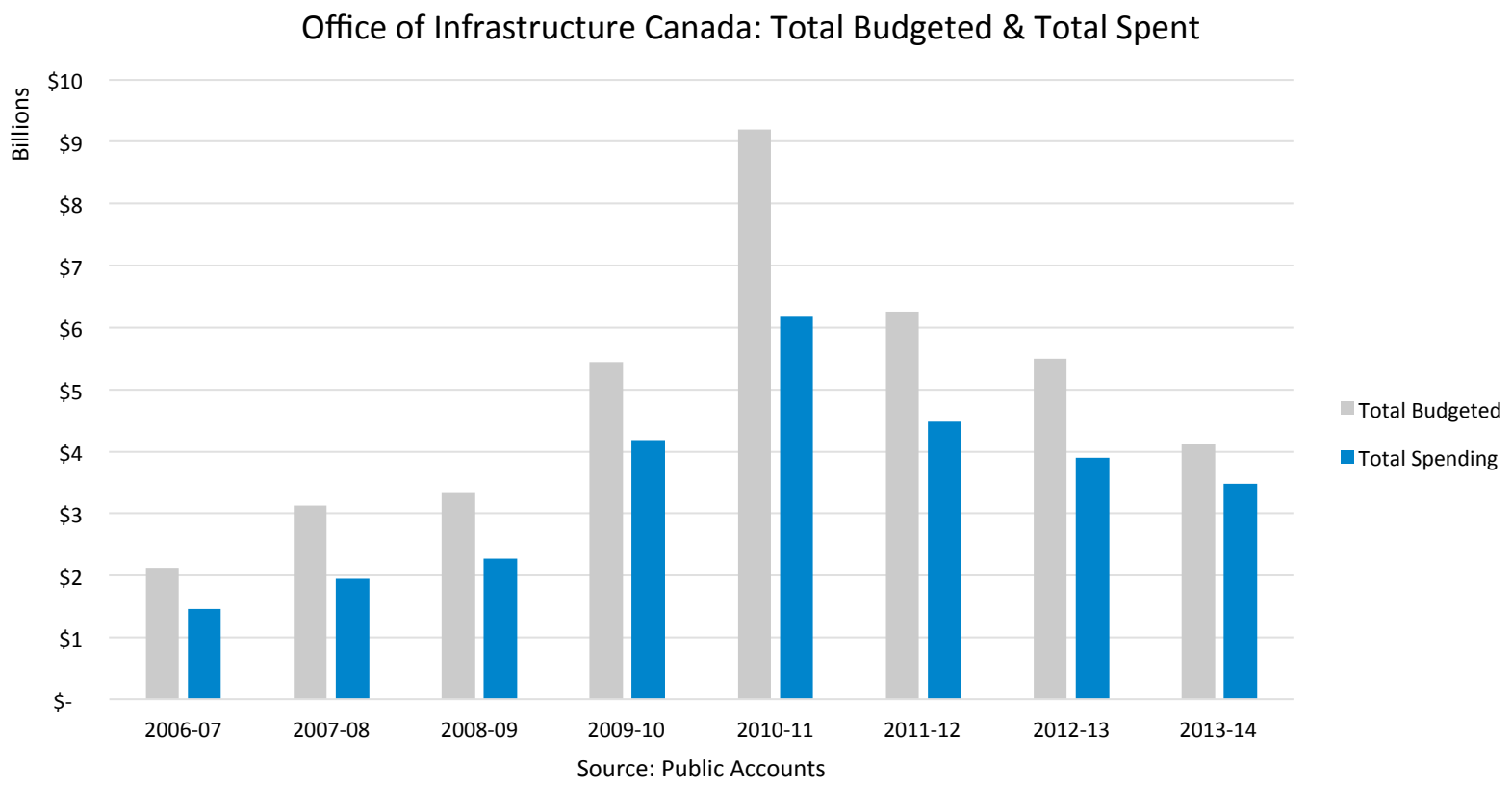


Share of Public Investment by Level of Government in 2013

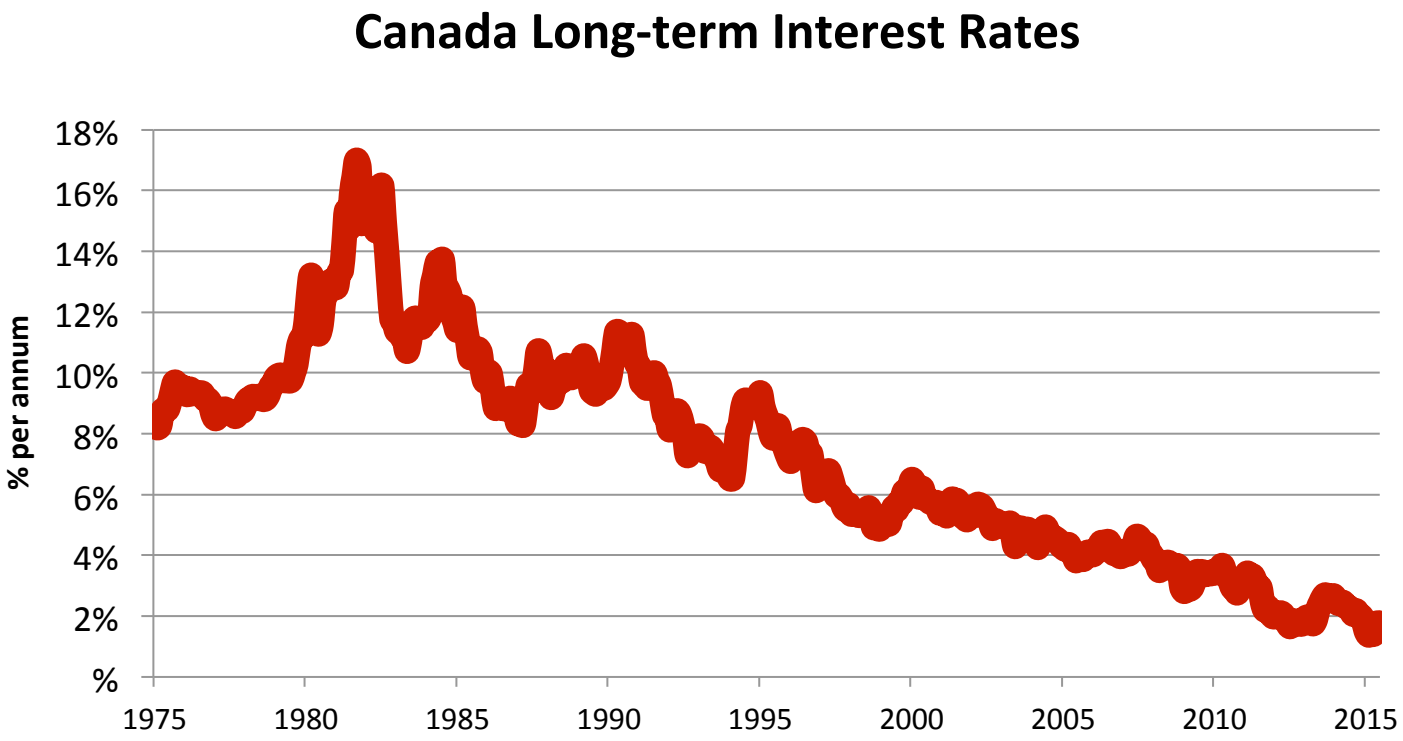


Source: CANSIM 031-0002

Federal Government Has Not Spent All Money Authorized by Parliament on Infrastructure

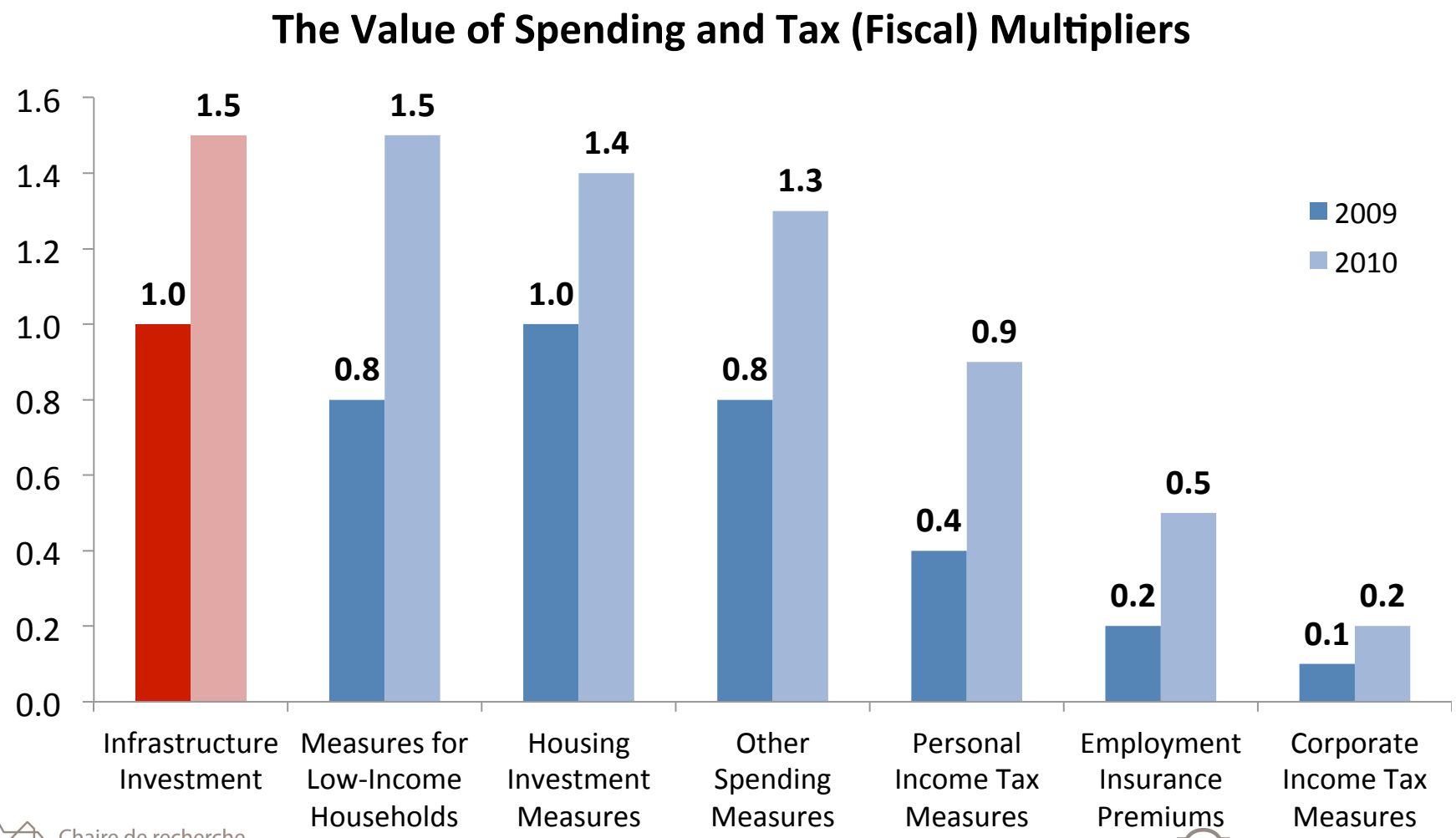


A Great Time for Public Investment



Source: OECD Main Economic Indicators

A Great Time for Public Investment



Source: Department of Finance, Budget 2009, Annex 1

What the Political Parties have to Say

The Parties	The Promises
Conservative	• $5.3 billion a year, on average, for provincial and municipal infrastructure under the New Building Canada Plan • A New Public Transit Fund committing the federal government to spend $250 million in 2017, $500 million in 2018 and $1 billion a year after 2019 • $150 million for Canada 150 Community Infrastructure Program to fund community and cultural infrastructure projects across the country
New Democrats	• Dedicate an additional one cent of the existing 10 cents per liter federal gas tax to roads, bridge and other core infrastructure, reaching an additional $1.5 billion annually by 2019 • Develop a better transit plan with the provinces and territories and invest $1.3 billion annually over the next 20 years
Liberals	• Boost infrastructure funding though "alternative sources of capital" • Provide infrastructure funding for affordable housing, public transit, transportation, climate change and "smart cities" • Hold an annual big city mayors' meeting in Ottawa to discuss infrastructure
Greens	• Reinvest in the national rail systems • Increase the gas tax transfer to municipalities to 5 cents a liter to be used for sustainable transportation initiatives. Commit 1percentage point of GST to municipal infrastructure. • Create 6 municipal superfunds $500 million per fund per year which municipalities can apply for for various infrastructure initiatives (replacing the Canada Strategic Infrastructure Fund). Create an Infrastructure Bank

Thank-you

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