



Standing Committee on Transport, Infrastructure and Communities
February 21, 2017 – 12:00 p.m.

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Madam Chair, Vice-Chairs and Members of Parliament,

Thank you for inviting the team of the Parliamentary Budget Officer to appear before you to discuss our *1st Report to Parliament on Canada's New Infrastructure Plan – Following the Money*.

As indicated in its title, this PBO report on “Following the Money” is the first in a series of reports on infrastructure that we plan to publish in conjunction with our regular reports such as the Economic and Fiscal Monitor, and the biannual Economic and Fiscal Outlook.

We also prepared a summary table based on our expectations of the progress of the Canada's New Infrastructure Plan and its potential economic impact.

My colleagues and I are aware that, as Members of Parliament, the regional aspect of infrastructure spending is, as it should be, important to you. Although we monitor the provincial share of projects, the main focus of our reports on infrastructure is to provide transparency and better clarity on how funds allocated under the New Infrastructure Plan are being distributed across a variety of locations, programs and projects, and depending on the availability of data, on the nature and timing of these projects. This should allow Parliament to better understand the outcomes and risks associated to the New Infrastructure Plan, and therefore to be better able to hold the government to account.

It will be challenging for parliamentarians to monitor the \$12 billion in infrastructure spending, since this funding will be allocated over two years and delivered by 31 departments and agencies. That is why, pursuant to our legislative mandate, we will track these investments.

My colleagues and I would be happy to answer any questions.

Thank you, Madam Chair.

Table 1: Phase 1 of Canada's New Infrastructure Plan¹

	<u>2016-17</u>	<u>2017-18</u>	<u>Total</u>
Federal Planned Spending (\$ millions)²			
Budget 2016	3,967	7,316	11,283
Economic Impacts (April 2016)³			
Infrastructure Multiplier	0.9	1.1	NA
Real GDP Impact (%)	+0.17	+0.33	NA
Employment Impact (000s)	+8.3	+22.6	NA
Full-Time-Equivalent Impact (000s)	+13.0	+33.5	+46.5

Table 2: Current PBO Expectations⁴

	<u>2016-17</u>	<u>2017-18</u>	<u>Total</u>
Spending	2,731	7,688	10,419
Economic Impacts (February 2017)			
Infrastructure Multiplier	0.9	1.1	NA
Real GDP Impact (%)	+0.11	+0.34	NA
Employment Impact (000s)	+3.3	+21.7	NA
Full-Time-Equivalent Impact (000s)	+5.6	+32.8	+38.4

Table 3: Net Difference⁵

	<u>2016-17</u>	<u>2017-18</u>	<u>Total</u>
Spending (\$ millions)	-1,236	+372	-864
Spending (% of Planned Spending)	69	105	92
Real GDP Impact (%)	-0.06	+0.01	NA
Employment Impact (000s)	-5.0	-0.9	NA
Full-Time-Equivalent Impact (000s)	-7.4	-0.7	-8.1
Impact on the Budgetary Balance (\$ millions)⁶	+1,045	+1,109	NA

¹ Data presented in Budget 2016 and the Fall Economic Statement.

² Spending figures presented on a cash accounting basis.

³ Economic impacts reflect figures originally published by PBO in April 2016 and therefore do not include the additional stimulus announced in the Fall Economic Statement.

⁴ Includes \$700 million in new spending announced as part of the Fall Economic Statement. PBO assumes that there will be no delays between the transfer of funds to subnational governments and their infrastructure spending.

⁵ The Net Difference between total Finance Canada planned spending and current PBO Expectations, as well as the PBO's original April 2016 estimate of Economic Impacts (not including additional funding announced in the Fall Economic Statement) and current PBO expectations.

⁶ Figures presented on an accrual basis. PBO currently assumes that federal infrastructure transfers will lapse in 2017-18 at the long-term average rate. Hence, some phase 1 money will be spent in 2018-19.