



Standing Senate Committee on National Finance
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Mr. Chair, Madam Deputy Chair and Honourable Senators,

Thank you for inviting me to appear before you to continue our discussion on Canada's new infrastructure plan. I note that your committee has grown, so I will mention that two meetings have already taken place, on June 8 and October 5, 2016, since the PBO team committed to supporting your committee's work on infrastructure funding.

We are happy to present you with our first report to Parliament on this matter. Its purpose is to assist parliamentarians in understanding infrastructure program outcomes and expectations, as well as the associated risks.

It will be challenging for parliamentarians to monitor the \$12 billion in infrastructure spending (\$11.3 billion announced in Budget 2016 and \$700 million in the Fall Economic Statement), since this funding will be allocated over two years among a

variety of programs and will be delivered by 31 departments and agencies. Therefore, this PBO report on “Following the Money” is the first in a series of infrastructure reports that we plan to publish; of course, these upcoming reports will be in addition to our regular reports such as the Expenditure Monitor, which is in the process of being revamped to be even more timely and, of course, the biannual Economic and Fiscal Outlook.

In the same context, to facilitate the discussion this morning, we prepared a summary table based on our forecasts of the progress of the Canada’s New Infrastructure Plan.

Just before I finish, Mr. Chair, I can assure you that my colleagues and I are very much aware that the regional aspect of infrastructure spending is of great importance to you as senators. Therefore, over the next few months, as we pursue our review, we will keep that aspect of project distribution in mind in our analysis, especially if certain trends begin to stand out.

All members of the team would now be happy to answer any questions you may have concerning the New Infrastructure Plan.

Thank you, Mr. 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.