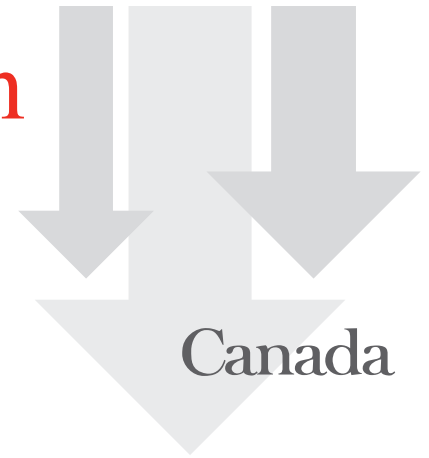


Conservative Economic
inAction Plan



Breach of Trust on Jobs

The Status of Infrastructure Stimulus Spending in Canada

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Cities and Communities

Summary

The Official Opposition Critic's office contacted over half of the approved municipal and provincial projects in the flagship Infrastructure Stimulus Fund (ISF) in Canada in the last two weeks of August to ascertain their status in relation to creating jobs. The resulting study covers 946 projects (out of a total of 1,697 announced) with a "promise value" of over \$ 1.1 billion in federal funding (the detailed listing is available at onprobation.ca).

The survey found that, contrary to claims to the opposite, the infrastructure stimulus spending efforts of the Harper government have failed to generate a significant number of jobs to help Canadians out of work. Just 12% of the flagship \$4-billion Infrastructure Stimulus Fund (ISF) is supporting any construction as of the end of August, eight months after it was announced. The progress to "shovels in the ground" reported is so recent that less than 1% of all projects have actually received any funds at all from the federal government.

Since the January budget, the Harper government's main job creation fund's output is a rate of 160 jobs a week, while jobs are being lost at a pace of 5,800 a week.

The survey indicates that the Conservative government's notional job contribution from the ISF is a maximum of 4,800 jobs across the country compared to the intended 40,000.¹

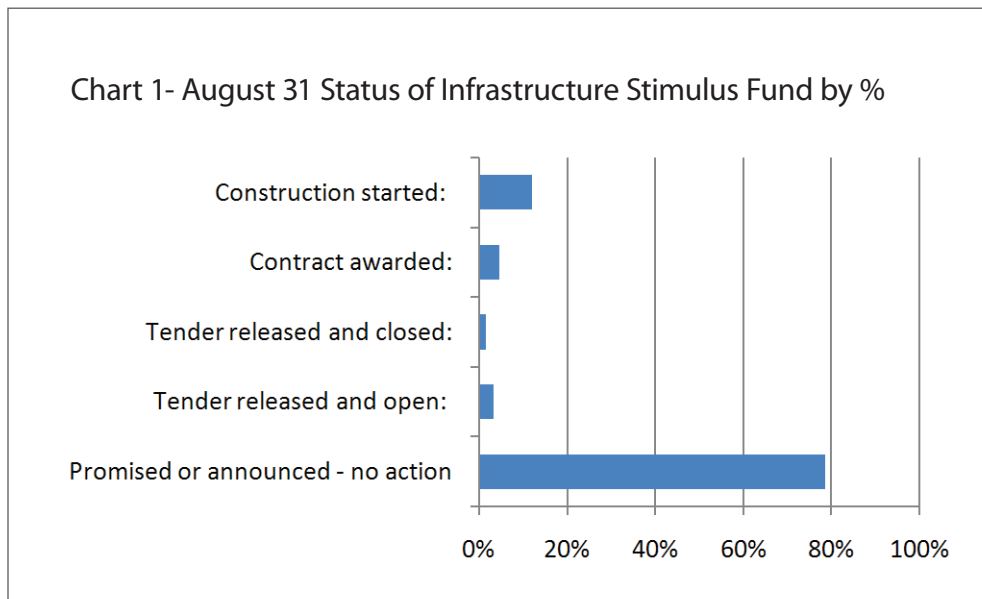
This failure to deliver is almost entirely related to factors within the federal government's control. The principal reason is the process set up by the Harper government to give it political control over the selection of projects.

Political choices made in Ottawa have caused unnecessary hardship for thousands of Canadian families. The Conservatives have also undermined the strength of a potential recovery. Almost as problematic is the fact that the government of the day has worked to conceal this from the public at large. The essential terms that were a basis for support from Parliament and from the Canadian people for the 2009 Budget have not been kept.

1. Performance Failure

Following a parliamentary crisis in December 2008, the Harper government ostensibly reversed its economic policy from one of large cutbacks to one of large-scale stimulus, including building infrastructure. The Conservatives belatedly seemed to recognize that the requirement was for unusual action, not an ordinary infrastructure program.ⁱⁱ They promised they would be “taking immediate action... (and) provide timely economic stimulus by creating jobs across Canada”ⁱⁱⁱ.

The Harper government set its own deadline for stimulus spending. In the January budget, the Finance Minister said, “Canada is in recession today. Measures to support the economy must begin within the next 120 days to be most effective.”^{iv} No jobs at all were created by that date, May 27th, 2009^v and now some 240 days from the budget, it is clear the Conservative plan has failed miserably. Virtually the only holes being dug for the past eight months were deeper ones for Canada’s unemployed.



Only 12% of the main infrastructure stimulus fund is in construction. Fully 88% of the promised dollars remain stuck in a peculiar process created by the Harper government. Of this, the equivalent of 9% of funds have reached a pre-construction phase and may yet occur in 2009, leaving 80% in doubt for any construction or jobs this year.

The survey explains the recent economic indicators showing that people are not part of any prospective recovery in Canada. In its January budget, the Harper government said it would create 190,000 jobs through increased government spending^{vi}. In June, it said its infrastructure spending would generate between 120,000 and 132,000 jobs, presumably heavily weighted in construction. Table 1 shows the reality at the end of August.

Table 1- Job losses for Canada

	SINCE OCTOBER	SINCE JANUARY
Construction sector	-108,300	- 70,900
Overall	-408,400	- 174,600

Source: StatsCan – employment by class of worker and industry (based on NAICS) September 4, 2009

Thousands of families are paying the price for the Conservative’s mismanagement of the funds authorized by Parliament. Since the budget, the Harper government’s main job creation fund’s output is a rate of only 160 jobs a week , while jobs are being lost at a pace of 5,800 a week.



2. Unconscionable, Avoidable Delays

Like individuals, governments often show their essential character at times of difficulty. In January 2009, the major on-the-ground partners in any infrastructure endeavour, Canadian municipalities and the private construction industry, gave the government public advice that the only way to create jobs immediately and undertake quality building was to further expand the existing Gas Tax Transfer program. On March 3, the House of Commons passed a Liberal resolution directing the Harper government to distribute half the infrastructure stimulus funds by Gas Tax Transfer, which would have permitted Canadian municipalities to incorporate the new funds into their budgets April 1.^{vii} The opportunity was ripe for non-partisan collaboration across levels of government.

Instead, the Harper government decided to forgo the existing audit, administration and evaluation systems of the Gas Tax Transfer, to ignore the advice of experts, and to overrule the will of Parliament to devise an entirely new program. The result was a four-month delay to produce a one-page application form and processes that lowered accountability and eliminated traditional due diligence. Incredibly, this application process for a program justified in the name of jobs did not ask how many jobs would be created or when, nor did it take the local need for jobs into account in awarding funds. It also has no system to track how many jobs are actually created^{viii}. The system did, however, allow all projects to be vetted by the Harper government.

Table 2- DELAY FACTORS experienced by provinces and municipalities

In relative order (percent of funds affected)

1. Decisions on projects still to be made by federal government. (50%)
2. Federal approval was too late for construction of certain projects to be started and completed or to obtain effective tenders. (18%)
3. Federal government chose a different priority, creating need for engineering or other work delays. (5%)
4. Waiting for signed agreements from federal government. (4%)
5. Problems with municipal financing, municipal issues. (3%)

Putting Canadians Second

Municipalities and provinces are working diligently, but the Harper government's delays have put them off balance (See Table 2). The Harper government's political objectives have led to old-fashioned behind-closed-door political wrangling that has prevented large amounts of funds from even being announced in Ontario, Quebec, Nova Scotia and British Columbia.

Like all concerned, the Harper government knew that the construction and tendering seasons are fixed periods, but chose to ignore that reality for its own needs.

The Harper government jobs record since the election is the equivalent of laying off every worker in New Brunswick .

As the survey proves, the consequence is that an entire construction season, and thousands of months of paid employment, were sacrificed to give the Harper government political control over the selection of projects to be funded.

The reward for Mr. Harper is that he is able to take credit for initiatives and is able to favour Conservative ridings in the distribution of benefits.

In Ontario, the Conservatives promised 15% more dollars on average to their own ridings (a total of \$13.1 m) for the ISF fund and the Recreation Facilities fund (RInC) combined compared to Liberal held ridings (\$11.1m), for example.

Four of the top ten allocations in Ontario for ISF were given to ridings represented by Conservative cabinet ministers and a fifth to the Prime Minister's parliamentary secretary. They received two to three times the average funding, despite the fact that three out of the five Conservative ridings experienced far below provincial average unemployment, including that of the minister responsible, Transportation and Infrastructure Minister John Baird (see table 3, below).

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In British Columbia, Conservative ridings garnered more than fourteen times as much funds as Opposition ridings (\$11.3 m to .8 m) for ISF. In the stimulus program for rehabilitation of community and recreation centres, the \$500-million RInC, eighteen out of the top twenty ridings by number of projects granted in Ontario are held by Conservatives(see the list at onprobation.ca). The minister responsible, Industry Minister Tony Clement, is in second place, having conferred 28 projects on his own riding, four times the provincial average. The average grant for Conservative ridings in Ontario was \$2.1 million, 33% higher than opposition ridings.

Table 3 - Federal ISF Announcements - Ontario

				Unemp
	Party	Riding	Grants	Rate
1	N	Windsor--Tecumseh	\$ 45,772,544	14.5%
2	C	Carleton--Mississippi Mills	\$ 38,578,665	O'Connor 5.3%
3	L	Mississauga East--Cooksville	\$ 34,471,612	10.1%
4	N	Hamilton East-Stoney Creek	\$ 32,600,000	8.7%
5	C	Oakville	\$ 31,733,333	10.1%
6	C	Nepean--Carleton	\$ 30,421,998	Poilevre* 5.3%
7	C	Niagara Falls	\$ 25,277,333	Nicholson 12.4%
8	L	Guelph	\$ 22,176,163	9.9%
9	C	Cambridge	\$ 22,053,267	Goodyear 9.9%
10	C	Ottawa West--Nepean	\$ 21,260,001	Baird 5.3%
		Average riding	\$ 10,738,229	9.6%

* *Parliamentary secretary to Prime Minister*

In the \$1.2-billion Building Canada Fund – in the Communities component for cities and towns under 100,000 population – the bias was extremely pronounced. In the 5 electorally competitive provinces for which financial information is available Conservative ridings received an average of \$8.8 million, compared to just \$5 million for opposition-held ridings.

By putting the needs of the Conservative party ahead of the economy and the unemployed, the Harper government has broken trust with all those who believed Mr. Flaherty when he said assistance would be “targeted to individuals and communities most in need.”^{ix} Even those Canadians in areas that might disproportionately benefit are undoubtedly troubled to know that scarce government funds, borrowed to help Canada recover at a time of need, are not being fairly shared. Old-style political “pork barrel” funding is offensive to Canadians today.

Table 4

Rank	Party	Riding	# of Projects
1	C	Kenora	35
2	C	Parry Sound--Muskoka	28
3	C	Prince Edward--Hastings	25
4	C	Huron--Bruce	17
5	C	Chatham--Kent--Essex	16
6	C	Glengarry--Prescott--Russell	16
7	C	Elgin--Middlesex--London	15
8	C	Leeds--Grenville	15
9	C	Sarnia--Lambton	15
10	C	Stormont--Dundas--South Glengarry	15
11	N	Thunder Bay--Superior North	15
12	C	Peterborough	14
13	L	Etobicoke North	13
14	C	Kitchener-- Waterloo	13
15	C	Lambton--Kent--Middlesex	13
16	C	Bruce--Grey--Owen Sound	12
17	C	Dufferin--Caledon	12
18	C	Oxford	12
19	C	Perth--Wellington	12
20	C	Niagara West--Glanbrook	11

3. Accountability Cover-up – Showbiz over people

The record of the past eight months shows a pattern of energetic activity by the Harper government to undermine accountability for the negligible flow of infrastructure funds and jobs by misleading Canadians.

Subjected to this program, Canadians could be excused for thinking that there might be a storm of infrastructure projects across Canada. If they look closer, Canadians have been subject to instead to empty “propaganda thunder”.

Hidden information and misleading statements

Throughout the period following the January budget, the Prime Minister and ministers repeatedly claimed that funds were flowing and construction was starting^x. At the same time they refused to release information^{xi}, and acted to restrict the independence, powers and funding of the Parliamentary Budget Officer. Notably, in the June 2009 “probation” report to Parliament, Mr. Harper advised Canadians that 3,000 projects and 80% of spending was well underway^{xii}, when he or key members of his office must have known otherwise. In times of difficulty, Canadians should be able to rely on their leaders to honestly advise them of conditions – Mr. Harper is doing the opposite. This particular distortion was a cruel trick to play on 114,100 unemployed construction workers and their families who waited all spring and summer and are still waiting for the promised action and jobs.

Announce-A-Rama

Led by Prime Minister Harper, the Conservative government has worked to cover the infrastructure stimulus fund’s failure by creating an impression of action through an “Announce-A-Rama” campaign – a constant stream of infrastructure claims, new and repeated, across the country. Almost all of Mr. Harper’s infrastructure announcements (14 out of 16) have been for regular non-stimulus infrastructure that either won’t begin for years or that had been planned years before and were a long-delayed part of regular government spending. Examples include the Calgary Ring Road announced on May 22 and the Queenston-Lewiston Bridge on September 3rd. In the case of British Columbia, ISF “announcements” were made in April ahead of the provincial election but included 40 projects that had not yet been actually approved^{xiii}. Opposition Members of Parliament have been banned from announcement platforms to help sanitize the message and maximize credit to the government. While Mr. Harper talks about accelerating the “Building Canada Fund,” in fact, the fund was underspent dramatically by 75% in its first two years by over \$1 billion^{xiv}, notably including the last two quarters of fiscal 2008-09 when the recession was getting underway.

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Advertising Campaigns

The government is diverting significant sums of money to pay for election-style advertising for the government to disguise the lack of real action and take credit for appearances. Recently the government bought slick television ads as part of its \$34.5 million media campaign to deceive Canadians in this fashion. They have required provinces and municipalities to put up and pay for promotional signs out of project costs as a condition of receiving money. The mini-billboards, if not the projects they are proclaiming are sprouting up across the country at a minimum cost of \$1.5 million.

Shifting Blame

The current Minister of Transportation and Infrastructure has indicated that the funds are not his responsibility once they are notionally assigned to provinces or municipalities, in a blatant effort to shift any criticism to other levels of government, in direct contradiction of his earlier statements.

John Baird in 2009:

"It's not up to his government to closely monitor how money intended for road, sewer and other projects is actually spent, suggests the federal minister in charge of infrastructure.

"It's not big government's role and Ottawa to centrally manage everything,' Baird said when asked how his department is monitoring spending." (Canadian Press, July 29, 2009)

John Baird in 2006:

"There's only one taxpayer, and my job is to ensure that there's accountability. My job is to ensure there's due diligence. My job is to ensure taxpayers are protected, and I take that very seriously." (John Baird, CBC Radio – The House, October 14, 2006)

"Going forward, the government will make responsible spending the norm by requiring that all new and existing programs go through a systematic and rigorous examination. This will ensure that this government only approves funds that are actually needed to achieve measurable results, in a way that is effective and that provides value for money. Our new expenditure management system will be built on the principles of fiscal discipline, managing the results, and maximizing value for money... Canada's new government will ensure significantly greater transparency, accountability, and value for money in all federal spending. We will settle for nothing less." (John Baird, Standing Committee on Government Operations and Estimates, October 17, 2006)

Sadly, Canadians are being well-deceived rather than being well-served when it comes to infrastructure and job creation and there are few independent voices to protect their interests.

4. Doing Better

The 2009 Budget contained nearly \$11 billion in new infrastructure stimulus measures. An infrastructure stimulus program of this type and magnitude is not an ordinary program but rather a trust undertaken by the government with Canadians. First, it is a responsibility to provide quick help for vulnerable workers who have lost employment so they can stay employable and support themselves. Second, it is a promise to all Canadians to put their economic well being first by delivering aid at the right time of the economic cycle when it will help stabilize the economy and complement rather than interfere with private investment. Thirdly, it should, for current and future taxpayers, be something that gains high value for the billions of dollars being expended, respecting that these are borrowed funds that will most likely be paid back by future generations.

The record on the Infrastructure Stimulus Fund and the other funds examined in this report shows the Harper government has delivered less than half-hearted efforts to Canadians. It has exhibited no sense of urgency on behalf of Canadian families in need but rather squandered months of critical time. It has treated Canadians' economic threat as an opportunity to further the electoral interests of the Conservative party generally, and its cabinet ministers in particular. It is clear that the Conservatives lack the will to harness the potential of government to act effectively in time of economic duress. It is reasonable to conclude the ideological biases of the government, reflected in its original November 2008 economic statement, have prevented it from carrying out its duties to the Canadian public. The Harper government frittered away several advantages: quick passage of measures by the official opposition, preparedness by provinces, municipalities and the construction industry, and existing administrative apparatus (unlike, for example, the new Obama administration in the US). As the attached timeline shows, more time won't help a government that has done this poorly, and lacks the essential commitment to take responsibility for the success.

In the context of the recession and an incipient but fragile recovery, this government is also failing to provide the right kind of leadership. At a time when Canadians should be brought together, the Harper government is dividing them between have and have-not areas. At a time when we need leaders that will appeal to our best instincts, we get a Prime Minister that instead appeals to our worst: support him and he'll give you some of your money back, and don't worry about the rest of the country.

In many ways, the Harper government has set up the infrastructure program to fail. It will not flow most of the funds this year as required, what does get out has been targeted based on political rather than economic need, and unfavourable conditions in some areas may lead to poor execution and loss of public support. If the government is allowed to proceed, the majority of Canadians will be disadvantaged by the misuse of funds. The absence of economic targeting for the funds means cost overruns and quality problems are a high likelihood as construction is attempted in overheated markets. A significant risk exists that the Harper government will claw back funds that are not spent on time. Canadian municipalities that have started building and repair programs in good faith stand exposed to making local ratepayers cover hundreds of millions of dollars in costs for projects due to delays out of their control, including the behaviour of the federal government.

An effective infrastructure program is an essential component to steer Canada to certain recovery. Other measures such as the tax cuts and home renovation program can be popular but provide much less certain job generation per dollar.

Canadians have no basis to trust the Harper government when it comes to infrastructure or stimulus spending in general.

5. Breach of Trust - Timeline of failure

OCTOBER – Prime Minister Harper denies recession in Canada

NOVEMBER – economic statement proposes to cut funds instead of stimulus

DECEMBER – Conservative government threatened with defeat, prorogues House to escape

JANUARY - Construction association and Federation of Canadian Municipalities call for direct transfer of funds through gas tax program

JANUARY 27 - Conservative government early budget pledge \$7 billion in Infrastructure, budget sets May 27th as deadline for stimulus spending

MARCH 3 – Parliament passes motion to distribute half of stimulus fund through gas tax, Conservative MPs vote against

MARCH 26 – budget bill passed

APRIL – fiscal year
Construction season begins
Announcements
No funds distributed

MAY – applications begin in some provinces
No funds distributed

JUNE – announcements
No funds distributed

JULY – announcements
No funds distributed

AUGUST – announcements
<1% of funds distributed

SEPTEMBER

Construction of just 12% value of the program has begun

END NOTES

ⁱThe number of jobs planned from ISF related activity rises to 100,000 when provincial and municipal contributions are factored in. The notional total jobs created estimate rises to 14,400 while the gap rises to 85,600. In many provinces it is unclear whether new funds are being used for matching portions. Full credit is given for all the funds as deployed creating jobs once any construction has begun. Undoubtedly this overstates the economic impact it is having, as most projects take some time to reach full employment.

ⁱⁱIn February the Harper government tabled its own report as required by law on its prior infrastructure spending under its 2007 announced Building Canada Plan, showing only 5% of the new funds had actually been distributed in 2007-08. ⁱⁱ

ⁱⁱⁱBudget 2009, p.141.

^{iv}Budget 2009, p.10

^vFirst announcements to provinces did not even begin until April 7, 2009.

^{vi}Budget 2009, p.237

^{vii}Briefing, Infrastructure Canada May 4, 2009, Minister Baird at Committee February 10, 2009

^{viii}Briefing, Infrastructure Canada on May 4, 2009

^{ix}Budget, p 10

^xSpeech by Prime Minister Harper in Cambridge on June 11

^{xi}Baird at Transport Committee on April 28 and Finance Committee on February 12 , Briefing, Infrastructure Canada on May 4, 2009, order paper questions Q396-399Baird

^{xii}Speech by Prime Minister Harper in Cambridge on June 11

^{xiii}Briefing, Infrastructure Canada on May 4, 2009

^{xiv}Public accounts 2008, 2007-08 Infrastructure Canada Departmental Performance Review and 2008-09 Infrastructure Canada Reports on Plans and Priorities