

Economist likes Sask. Party infrastructure funding

BY ANGELA HALL AND JAMES WOOD, SASKATCHEWAN NEWS NETWORK FEBRUARY 3, 2009

REGINA -- Half a billion dollars in infrastructure cash is raining down on the province this week, spending that one Saskatchewan economist says is important if the province is to remain competitive.

University of Saskatchewan economist Eric Howe said the Saskatchewan Party government's acceleration of \$500 million in infrastructure funding was a good move in light of the recent big-spending budget tabled in Ottawa, because he expects a great deal of federal cash to end up in populous provinces such as Ontario, hard hit by the economic downturn.

"You can't have crumbling infrastructure in Saskatoon and good infrastructure in Toronto if you're going to keep people in Saskatoon," Howe said.

"We don't need the economic booster shot as a stimulus, but we need to stay competitive relative to other jurisdictions or our excess demand for labour will get to be even worse."

But Jack Vicq, Saskatchewan director with the Calgary-based think-tank Canada West Foundation, warned it may also be difficult for projects to quickly capitalize on the funding with skilled labourers already stretched thin.

"My first reaction would be, 'Are you sure we need it at this point in time?'" Vicq said, noting the current pace of construction particularly in the largest cities. "Whether or not we get the hoped-for results by increasing demand for labour, I'm a little pessimistic."

However, the construction industry has been anticipating increased infrastructure spending and trying to prepare, said Saskatchewan Construction Association president Michael Fougere.

"Our larger general contractors, as an example, are hiring people from outside the province to come in, currently from Alberta, British Columbia and Manitoba, and even from Ontario. So we're seeing people come into the province because there are opportunities here," Fougere said. "Same with the sub-trades, there are people coming in, starting their own business or joining other companies, too."

The spending is also allowing the provincial government to cap off the 2008-09 budget year with a series of good news announcements as it reveals where the \$500 million is going — so far confirming funds for municipalities and 13 long-term care facilities, with more slated to be released today.

The infrastructure spending is designed as a stimulus but also represents moving up some of the \$1.5 billion for infrastructure the Sask. Party committed to this year's budget in more flush times last fall.

That makes it easier to balance the new budget but also means less money in the bank.

The \$500 million will, in effect, come out of the province's growth and financial security fund, Finance Minister Rod Gantfoer confirmed Tuesday.

Based on the mid-year financial statement, that spending would drop the reserves down to \$1.4 billion. But that figure is also expected to be lower at its next calculation, said Gantfoer, because of dropping revenue projections for this year and spending in other areas.

The government has said it has two major items on its agenda — a new revenue-sharing agreement with municipalities and reform of the education property tax system — and it has been expected that one, but not both, would be included in the new budget.

But Wall told municipal leaders this week that a new revenue-sharing deal may not be ready until 2010 and with a report on property taxes just now in the hands of the education minister, there remains continued uncertainty about that measure.

Gantfoer said the biggest issue around their inclusion is money, as resource royalties have tumbled since the record-setting haul by the province in 2008.

ahall@leaderpost.canwest.com

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