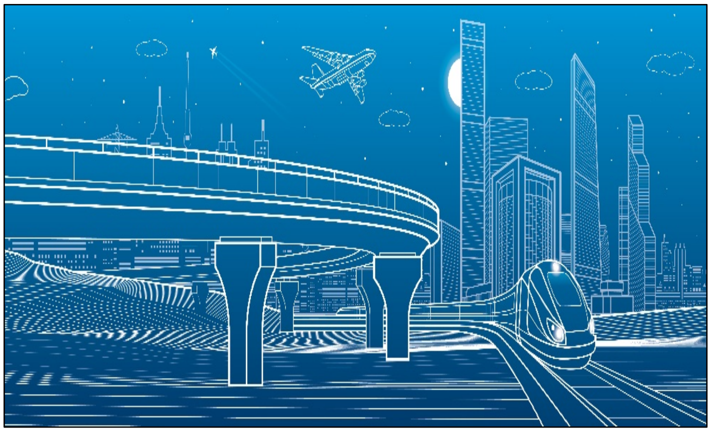

THE Clark Report

Infrastructure investment key to Canada’s recovery
… *if it’s the right investment*

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Canada has lost ground on many socio-economic fronts over the past year. A big part of the fix rests with making crucial investments which were needed long before the pandemic.

I speak of infrastructure in all its varied forms.

Critical infrastructure today extends far beyond Canada’s traditional definition that favoured transportation (ports, roads and bridges, rail and air links).

What infrastructure is critical?

Rural high-speed broadband also fits into this category – even more so now with the surge in remote working and the efforts by rural communities and poorer provinces to attract industry and investment. So, too, does the necessary infrastructure for 5G and whatever wireless technology will follow it.

Investment in green technologies is increasing at the fore, and with good reason as climate science leaves the deniers with no leg to stand on.

Take, for example, the new cash rebate incentives in Quebec and Prince Edward Island to encourage consumer adoption of e-vehicles. Quebec has set the ambitious target for all new vehicle sales in the province to be e-vehicles by 2035.

It will take more than rebates and cheap electricity rates to make that fly. You must also build the necessary recharging infrastructure across the province.

Then there are the challenges of ramping up battery production and where Canada might have an opportunity as a supplier of key materials.

A post-pandemic boom?

Supply chain issues thanks to the pandemic have raised doubts about the wisdom of globalization and "just-in-time" production.

However, even if manufacturing is repatriated, will it take the form of the Small Town Canada factories of yesteryear? Likely not – automation, robotics and more extensive use of data analytics will be critical to achieve necessary cost efficiencies (Check out the story of SigmaPoint).

I could go on, but you get the idea. We have entered the era of Klaus Schwab's Industry 4.0. The future of work, production and social engagement will be drastically different than before.

The pandemic didn't cause this, but it has certainly served to accelerate the change in many ways.

The next year or two could be considered transitional ones on par with the years that followed the Second World War.

Back then, Europe and the U.K. were rebuilding from the ashes. Canada, the U.S. and other industrialized nations that had retooled and expanded their industrial war machines for a new era of peace-time prosperity leapt ahead.

Big investments in infrastructure back then paid off economically, at home and abroad.

Big money, big talk

The Biden administration today isn't wasting any time, proposing the single largest infrastructure investment in the U.S. since those years after the Second World War.

Some US$2 trillion in new spending is being proposed, to modernize roads, rails, ports, airports, mass transit and highways, to improve elderly care, to build out high-speed broadband and to invest in clean energy.

Another stimulus package will focus on "human infrastructure" with new funding for schools, health care and childcare.

Whether or not it all goes ahead remains to be seen. Regardless, it is a bold vision that warrants our attention up here in the Great White North.

The federal Liberals have their own flagship infrastructure program that's been in play since 2015. The Investing in Canada Plan has $180 billion earmarked over 12 years for public transit, trading ports, broadband networks, energy systems, community services, natural spaces and so on.

In a statement last month, Catherine McKenna, Canada's minister of infrastructure and communities, said that, five years into the plan, "we have already invested $81 billion in over 67,000 projects, 90 per cent of them completed or underway."

Making infrastructure happen

Her statement came in response to a less-than-glowing report from auditor general Karen Hogan.

The A-G's report concluded that the plan is not quite living up to expectations as the driver of economic growth, job creation and innovation it was touted to be. Her criticisms about delays and a lack of "meaningful public reporting" cannot be easily excused by the relatively recent arrival of the pandemic.

Still, the Trudeau government remains committed to spending its way back to a full economic recovery. Where and how those infrastructure investments must be made should be self-evident as we face a digitally connected future.

Sure, we still need to fix up crumbling concrete and asphalt, but we have to balance what we spend on the old with creating the new, based on our best prediction of what near-term infrastructure is needed.

Bear in mind it's far less costly to bring true broadband Internet to a community than it is to connect that community with a new hardtop highway. We can do a lot with a few billion dollars to prepare the country for a more digital future.

We just have to make sure our grand plans for new infrastructure investment are not paralyzed by a tangle of red tape.

As always, real estate will be impacted in one way or the other. Either by increasing demand for, and consequently the value of, particular pieces of real estate, or by changing ideal land uses, which again will impact value.

The result will be winners and losers, but there is always opportunity for those wise enough to look ahead.

To discuss this or any valuation topic in the context of your property, please contact me at jclark@regionalgroup.com. I am always interested in your feedback and suggestions for future articles.

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