



Canada in midst of 'infrastructure super-cycle'

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Fears that Canadian infrastructure spending is about to be massively curtailed are widely exaggerated.

That's the view of CIBC World Markets analyst Paul Lechem, who has a new report that explains how and why Canada is "in the midst of an infrastructure super-cycle." His thesis: public infrastructure spending is bound to be cut back as governments slash their deficits, but private and P3 spending will only keep growing.

"By all accounts, we are in the middle of a great infrastructure spend," Mr. Lechem noted, particularly for things like oil and gas pipelines, electricity transmission and distribution lines as well as power generation facilities.

And these products will stay [in vogue](#) because of "investor thirst for stable, defensive and high-yielding investments."

Examples of areas in desperate need of new capital spending include: oil sands and shale gas production basins; renewable power generation facilities to replace higher-polluting generation assets (e.g., hydroelectric projects, both under construction – Lower Mattagami, la Romaine, Eastmain 1-A, Wuskwatim, Waneta Expansion – and proposed – Lower Churchill, Site C, Conawapa); expansion of the electricity transmission grid to incorporate load growth and new renewables projects (e.g., Alberta's Critical Transmission Infrastructure, Ontario Bruce to Milton, B.C. Interior to Lower Mainland), and various gas processing, liquefied natural gas and other energy infrastructure projects.

That's quite the list.

For the past two years, public infrastructure spending has been just as impressive, peaking at \$65-billion a year, but stimulus programs have ended and governments need to slash their budgets. Still, Mr. Lechem doesn't expect a return to the "underfunded" levels of the 1990s when

spending came in around \$20-billion a year. That's because Canadian infrastructure has hit crisis mode.

After a huge spending boom in the 1950s and '60s to accommodate a burgeoning baby boom population, there were massive cuts in the '80s and '90s. By 2000 there was an infrastructure deficit of \$100-billion, according to the Federation of Canadian Municipalities. While spending has been strong the past few years, there is still a long way to go to work through this hole.

To get in on the action, Mr. Lechem recommends looking at three key sectors: engineering and construction, pipelines and utilities. But be cautious. Some of the firms that were expected to get a big rise out of public infrastructure spending during the recession [barely moved](#).