

OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER



BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Infrastructure Stimulus Fund – Survey of Recipients

Ottawa, Canada

December 1, 2010

www.parl.gc.ca/pbo-dpb

The *Parliament of Canada Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to Parliament on the state of the nation's finances, trends in the national economy and spending estimates of the government.

Key Points of this Note:

- The PBO undertook a survey of program recipients to help evaluate the impact of the Infrastructure Stimulus Fund (ISF).
- 644 questionnaires were completed, out of a population of 1,129 organizations. This represents a strong response rate of 57%. If this were a random sample survey, the overall results could be considered accurate to within $\pm 2.2\%$, 19 out of 20 times (finite population factor applied).
- Overall, respondents felt that the program was generally well administered and contributed positively to the general well-being of their community; however, the perceived impact on the unemployment rate in their community is mixed.
- There are significant findings which point to regional variations in the effectiveness of program implementation, as well as a significant variation in the effectiveness of certain project types on creating employment and adding economic value. These are important elements that can inform parliamentary deliberations for any future consideration of similar programs.

Prepared by: Peter Weltman

Please contact Peter Weltman at (613) 996-1952 or weltmp@parl.gc.ca for further information.

I. Background

As part of its ongoing efforts to assist parliamentarians in understanding the performance and impact of the Infrastructure Stimulus Fund (ISF), PBO undertook a survey of program recipients to help evaluate the impact of the ISF.

There are many ways in which a program of this kind can be analysed and assessed. PBO's primary focus was to be able to provide Parliament with an answer to the following question: *"If Parliament was asked to approve a similar program today, how and when would economic activity attributable to this program reach the regular economy?"*

In order to answer this question in a timely and useful manner, PBO undertook a survey of officials involved in administering ISF projects, where data from the survey would be combined with data from the ISF master project database.

Approach

PBO obtained the advice of Professor S.E. Bennett of Carleton University to assist in developing the survey design, and through a competitive process commissioned Phoenix Strategic Perspectives Inc. (see Annex A) to undertake the data collection and preliminary analysis. Professor Bennett also provided a final report, which is annexed to this note (see Annex B).

The survey took the form of a census, in which all eligible organizations were invited to participate. Eligible organizations were largely municipal governments, but included provincial/territorial governments and other organizations (e.g. not-for-profit community groups) that received funding under the ISF. Individual respondents were organizational representatives with hands-on knowledge and responsibilities related to the ISF-funded project(s) undertaken by their organization.

A placed-mail methodology was used to conduct this survey, where initial contact with potential respondents was made by telephone, followed by email/fax distribution and collection of the questionnaires. Fieldwork took place between June 8 and August 3, 2010. In total, 644 questionnaires were completed, out of a population of 1,129 organizations. This represents a strong response rate of 57%. If this were a random sample survey, the overall results could be considered accurate to within $\pm 2.2\%$, 19 out of 20 times (finite population factor applied). The data were weighted to ensure that the results are representative of the distribution of ISF-funded organizations and ISF projects.

Further details of the research methodology are appended to this note (see Annex A).

II. PBO Findings

The survey measures perceptions of the timing and operations of ISF administration, perceptions of the impacts of ISF projects, project-specific issues, and suggestions to improve program administration.

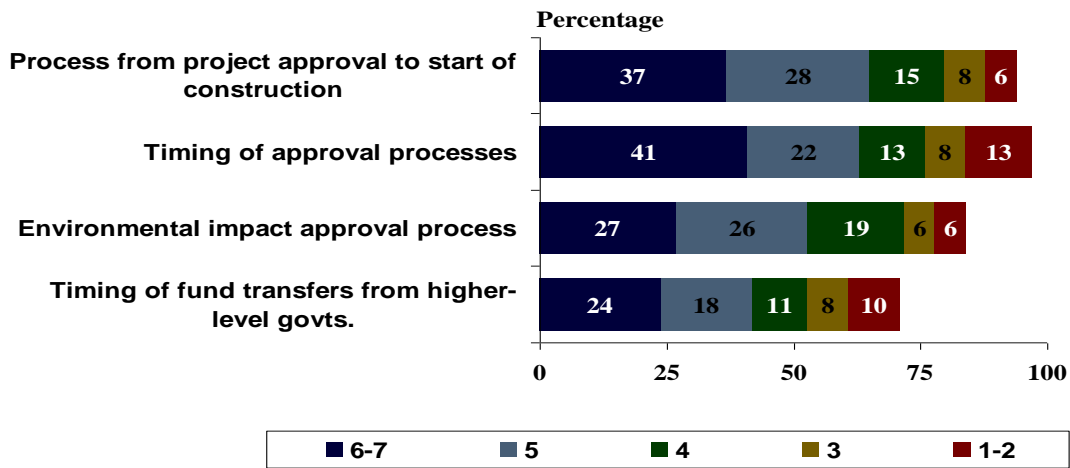
Timing and Operations of ISF Administration

Respondents expressed mixed and generally moderate levels of satisfaction with various aspects of ISF administration. They were most likely to be satisfied with the process leading from ISF project approval to the construction start date and with the timing of the project approval processes.

Dissatisfaction was highest with respect to timing issues – the timing of project approval processes and the timing of fund transfers from higher-level governments. When asked for suggestions to improve the ISF application and/or approval processes, the majority (62%) of respondents had none to offer. Suggestions that were made tended to focus on timing-related issues. The only other suggestion offered with any frequency was to provide more information or ensure better communication.

Satisfaction with Aspects of ISF Administration

Q1: Please indicate your level of satisfaction with each of the following, using a 7-point scale, where '1' is extremely dissatisfied, '7' extremely satisfied, and '4' neither satisfied nor dissatisfied.



Base: n = 644

DK/NR = 4-29%

Phoenix SPI; ISF Program

'Not Applicable' removed for environmental impact question = 44%

Some Conclusions: There is significant variation in the way ISF is perceived to function across jurisdictions, but it appears that increased completion seemed to promote satisfaction. This probably means that many of the minor frustrations connected with ISF administration are worked out or put in perspective as projects progress. There are also indications that community centre/service projects did not fit into ISF processes as well as other project types, and this is reflected in breakdowns of some of the timing and operational satisfaction measures.

Perceptions of the impacts of the ISF program

Impacts on communities: Most surveyed representatives attributed positive impacts to ISF funding. The large majority think ISF funding has increased the general welfare of their community. Smaller majorities saw positive impacts in more specific areas: approximately two-thirds think it has increased the environmental quality of the community, while over half think it has decreased

the infrastructure deficit of their municipality/organization and increased earned income in the community. The perceived impact of ISF funding on unemployment was mixed, with one-third saying it has decreased unemployment; one-fifth saying it has increased unemployment, and almost half thinking it has had no impact in this area. Finally, well over half felt that ISF funding has had no impact on prices in the construction sector and related sectors.

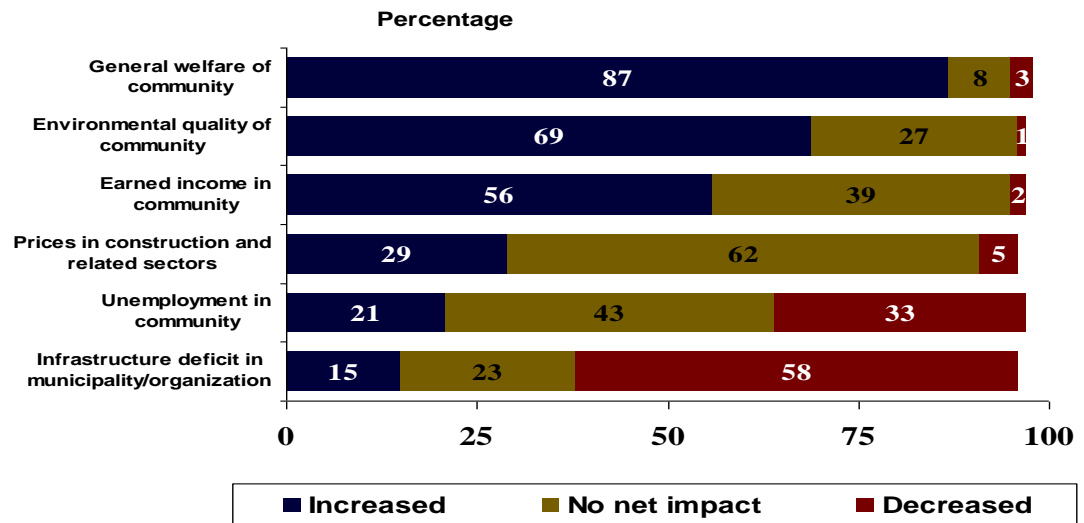
Impacts on capital expenditure planning: ISF funding was generally seen as having an impact on both the timing and size of infrastructure projects. Compared to what would have been the case in its absence, ISF funding and rules were much more likely to be seen as speeding up projects than delaying them, while nearly two-thirds think they caused some projects to be larger. In addition, fully 86% think that ISF funding and rules have had a positive impact on their organization's prioritization/planning process in terms of capital expenditures.

Impact of program rules: Most respondents think the completion deadline imposed by ISF has had no net impact in any of the six areas examined: the general welfare of their community, unemployment levels in the

community, earned income in the community, the environmental quality of the community, prices in the construction sector and related sectors, and the infrastructure deficit of their municipality/organization.

Impact of ISF Funding in Various Areas

Q.3: Compared to what would have been the case in the absence of ISF funding, what impact has ISF funding had in each of the areas listed in the table below?



Base: n = 644

Phoenix SPI; ISF Program

DK/NR = 2-4%

Some conclusions: The structure of responses in this portion of the survey suggests thoughtful answers. It is also clear that there are major provincial/territorial variations on a number of the impact indicators. These geographic variations will need to be considered further in terms of the mix of projects' types and sizes in different jurisdictions. Future programs similar to ISF may benefit from more fine grained design with respect to local conditions, project type and, perhaps, even variations in local management capacity. There is enough evidence in the findings to warrant further study.

Project-specific Economic Impacts

The specific project that each respondent was asked to focus on was randomly selected and

was identified on the first page of his/her questionnaire. Basic analysis showed that these projects did indeed create a substantial average number of jobs per project at reasonable salaries, mostly in the realm of purely public infrastructure and in a notably expedited fashion as a result of ISF.

We found that projects located in some jurisdictions are much more likely than others to generate reasonably large numbers of well paid positions and be considerably expedited compared to what would have been the case in the absence of ISF. In addition, some types of projects were much more likely to create relatively large numbers of jobs and/or positions with good remuneration.

Specifically, public transit projects were very effective at employment creation and airport, highway/regional transit and port/cruise ship type projects were particularly effective in producing higher paid employment. Solid waste management projects were particularly ineffective in creating large numbers of jobs or good pay levels.

Some Conclusions: There appears to be enough evidence to conclude that certain types of projects produce better results, and that some organizations and jurisdictions are much more effective at getting maximum benefit from this type of program.

Suggestions to Improve Program Administration

Respondents were asked to offer suggestions to improve various procedures of ISF-type projects and to link them to the level of government that they think would be most closely connected with the suggested changes – federal, provincial or municipal. While a majority of respondents did not offer any suggestions for improvement on most questions used in this area, the suggestions that were most frequently cited included faster approval, fewer reporting requirements, longer-term funding, funding for design and planning, a recognition that impacts are difficult to define and to measure, and a desire to have an expanded range of eligible projects. The one question where a small majority did make comments referred to suggestions to improve the economic impact of ISF-type programmes in the future. Suggestions here did not differ much from the types of comments provided in response to other questions.

Survey Conclusions

Despite a wide variation in survey responses, there is overall modest satisfaction with the administration of the ISF program, as well as a perception that the program has had a modestly positive economic impact on participating communities. On the average, based on project-specific questions, ISF projects created about 19 person-years of work, which paid an average salary of \$55,000 per year, tended to be almost entirely for public infrastructure, and advanced community infrastructure planning by 22 months.

Upon further investigation and using more advanced analytical techniques, it is possible to conclude that projects in certain jurisdictions tended to use many more person years per project than other jurisdictions, projects in some provinces paid much more per job than average, while projects in some others paid much less. Certain jurisdictions have realized much more advanced implementation of previously-planned projects due to ISF funding. It is also clear from the findings that public transit projects produce much higher person-years of employment, and solid-waste projects produce the least. Airport, highway and regional transit and port/cruise ship projects produce the highest salaries, and solid waste projects produce the lowest. Airport, Disaster Mitigation and Public Transport projects were most quickly accelerated because of ISF.

While it is difficult to measure the economic impact of a particular stimulus program in 'real-time', the findings from this survey provide significant insight into the effectiveness of some elements of the program in a timely manner, and can serve as useful input to debate and discussion around the performance of the existing program and the design of any future program.

ANNEXES

ANNEX A – Infrastructure Stimulus Fund (ISF) Program Study

Prepared by Phoenix Strategic Perspectives Inc. – see http://www2.parl.gc.ca/sites/pbo-dpb/documents/Phoenix_ISF_Survey.pdf.

ANNEX B - The Infrastructure Stimulus Fund: Perceptions of Operations, Impacts and Possible Improvements

Prepared by Professor S.E. Bennett – see http://www2.parl.gc.ca/sites/pbo-dpb/documents/Bennett_ISF_Report.pdf.