



Ontario Is Getting New Infrastructure and \$50 Billion in New Debt

Description

After years of crowded trains and broken promises, Ontarians might be on the verge of getting a major upgrade to transit infrastructure, but at a fairly hefty price.

Transit has always been a very sensitive issue to Ontarians as growth in the province over the years has stressed the existing infrastructure far beyond what it was ever intended to handle. Toronto's Line 1 subway during rush hour is a prime example of this: traffic is more than double the original capacity.

The province's economy growing faster than what many had projected. This and the low interest rates on borrowing have pushed the province to invest into a variety infrastructure projects, which will not only improve the current state of transit, but also spur economic growth and create jobs for the province.

How much will this cost and who's paying for it?

In total, Ontario has earmarked a whopping \$160 billion investment that will not only improve transit, but address roads, bridges, hospitals, and schools in the province. Toronto's Eglinton Crosstown line and Mississauga's Hurontario LRT are some of the main initiatives of that investment.

Ontario's Independent Financial Accountability Office released a report this week outlining that by 2021, the net debt of the province could balloon to \$350 billion, giving Ontario the highest debt burden of any province; at a higher level, that's more than the countries of Chile and Columbia combined. Ouch.

Beyond the actual sticker shock, interest payments on the debt could start to increase as Ontario starts to resemble a far riskier borrower.

Aecon and SNC-Lavalin

Both **Aecon Group Inc.** ([TSX:ARE](#)) and **SNC-Lavalin Group Inc.** (TSX:SNC) are two of the biggest construction companies in the country with a history of working on large infrastructure projects such as those that Ontario needs.

Aecon has already worked on a number of high-profile infrastructure projects, such as expanding Toronto's Line 1 subway north as well as building Highway 409 to connect to the Pearson airport in an extremely congested area of Toronto. The company is also renowned for building the CN Tower, Vancouver Sky train, and Montreal-Trudeau airport.

Aecon already has billions in planned projects queued up; more projects stemming from this latest infrastructure blitz are more than likely to occur.

SNC-Lavalin has also had a fair share of projects. Highways 407 and 417 come to mind as well as the construction of the Confederation line LRT in Ottawa. SNC has operations across the globe in 50 countries. The Montreal-based company is no stranger to large projects; it has a myriad of multi-million dollar projects underway around the world, including Saudi Arabia and Ethiopia.

When to build and when to buy

Both Aecon and SNC-Lavalin are great investment options—not just because of the work the companies do, but because the current economic climate is one where governments around the world are engaging in infrastructure projects on a massive scale from renewable energy projects to new transit corridors and schools.

In my opinion, investors looking for long-term gains would be more than satisfied by investing in either of these companies as further projects are likely to materialize over the next few years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ARE (Aecon Group Inc.)
2. TSX:ATRL (SNC-Lavalin Group)

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Author

dafxentiou

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