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RiskAnalytica report says infrastructure spending critical to economic growth

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Underinvestment in infrastructure could hurt economic prospects and job growth in Ontario, says a recent report commissioned by the RCCAO.

The report, "Public Infrastructure Investment in Ontario: The Importance of Staying the Course" by [RiskAnalytica](#), reveals that over the next 50 years, that average real GDP growth could rise by over one per cent per year if the increases in the province's "Building Together" plan continue.

The "Building Together" infrastructure plan proposes a more strategic, long-term approach to capital spending, including infrastructure asset management. All the provincial parties have said they support the plan's \$35 billion in infrastructure spending over three years.



VINCE VERSACE

Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO), is concerned about a recent report from RiskAnalytica, which concludes that ideally, long-term infrastructure investments would need to be 40 per cent above the levels, in order to optimize growth in the gross domestic product in Ontario.

"We do have a concern that could slip back based on the fiscal pressures the province is seeing right now," said [Residential and Civil Construction Alliance of Ontario \(RCCAO\)](#) Executive Director Andy Manahan.

The report reinforces that increased public infrastructure investment in Ontario will alleviate many future economic risks and that increased investment over the past several years is a move in the right direction.

The current trend has improved to spending of about three per cent of the GDP on infrastructure; there is

room up to five per cent of the GDP before marginal returns disappear, the report found.

■ [Construction associations call for infrastructure focus from Ontario Liberals](#)

■ [VIDEO: Residential and Civil Construction Alliance of Ontario calls for infrastructure report card](#)

■ [Ontario outlines 10-year infrastructure spending plan](#)

“Getting five per cent is probably not realistic, but we want to make sure we’re trending in the right direction,” added Manahan.

The report found that ideally long-term infrastructure investments would need to be 40 per cent above the levels in Building Together to optimize GDP growth in Ontario.

Last year’s RiskAnalytica report conducted for the RCCAO about Canada’s level of infrastructure spending showed that Ontario’s spending on infrastructure maintenance was quite low compared to other provinces.

“If you have more volatile spending, if it goes up and down year over year, you’re going to slip down that slope. If we can have a goal of getting closer to the high teens or 20 per cent of the total infrastructure spending that should be spent on maintenance and life cycle approaches, that would be really good,” explained Manahan.

Underinvestment could hurt not only the economy, but individual workers in all sectors of the labour force.

“Depending upon the number of years they plan on staying in the labour force, it could cost them between \$20,000 and \$60,000 in today’s dollars. Businesses also face the loss of an annual 0.7 per cent increase in profits,” reads the report.

“This has a major impact. And of course, future generations are going to have to pay more if you don’t do proper asset management as well,” said Manahan.

Paul Smetanin, CEO of RiskAnalytica, suggests that infrastructure simulation models, as an example, could provide better insight into priority-setting based on objective economic and community data.

“More analysis is needed by sector and even by infrastructure type,” he said in a release.

“Perhaps most importantly, to ensure that infrastructure investments are allocated properly, our decision-making processes on infrastructure spending need to evolve.”

All levels of government need to be involved and the government’s infrastructure plan runs out in 2014, noted Manahan. This report will help fuel that conversation.

Manahan said the report has been well-received so far and has sparked an interest from the Association of Municipalities of Ontario. The report is available at www.rccao.com.