Paltry infrastructure investment could be hurdle to future development

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by Neil Sharma 28 May 2019

The recent federal and provincial budgets indicate that investment in Ontario's infrastructure will continue trending downward, and should that continue, future development could become imperilled.

An analysis by the **Residential and Civil Construction Alliance of Ontario (RCCAO)** and the Canadian Centre for Economic Analysis (CANCEA) determined too little money, relative to gross domestic product, is being earmarked to repair aging infrastructure throughout the province. In particular, the federal government—which, in the lead up to the 2015 election, campaigned aggressively on infrastructure development—has been parsimonious.

The federal and provincial target for investment funds, according to CANCEA, should amount to 5.4% of Ontario's GDP, however, allotted funds for the next five years average a paltry 2.65%. As it stands, the federal government's share amounts to a quarter of what it should be.

"As it stands, the numbers indicate infrastructure investment is not keeping pace with economic growth," said CANCEA's President and CEO Paul Smetanin. "While the dollar value of infrastructure investment grew by 11% between 2011 and 2018, investments as a percentage of Ontario's GDP decreased from 3.25% to 2.79%—that's a 14.2% drop in investment."

In light of the Ontario government's recent pledge to build a more expansive version of the downtown relief line subway, dubbed the "Ontario line"—as well as subway extensions into Richmond hill and on the Scarborough line, and the Eglinton LRT line—**RCCAO Executive Director Andy Manahan** says consternation is justified.

"Those four projects were deemed to be about $28 billion, but the province committed about $11b and said the rest of the money has to come from the federal government and the City of Toronto," said Manahan. "I'm not sure how the City of Toronto can come up with that kind of a share when they're already crying wolf right now about financing."

So far, overreliance on the federal government hasn't borne fruit. But as both CANCEA and Manahan note, the federal government would reap the rewards of tax revenues to pad its reserves.

"Looking at the infrastructure modeling report, there's always been underinvestment across the board, but the federal government is at a very low level, in terms of its GDP," said Manahan. "If the federal government upped the ante, there would be additional tax benefits to its coffers."

With about 40% of Ontario's growth coming from the Greater Toronto and Hamilton Area, the region is unquestionably where investment funds should be prioritized.

The City of Toronto consistently brings in up to 120,000 immigrants per annum and that's straining infrastructure, says Manahan.

"The only previous funding commitment goes back to the Stephen Harper government for the Scarborough subway, but as for the revised Ontario line, there's been nothing confirmed by Ottawa that they would support that one financially."