



January 28, 2021

Hon. Chrystia Freeland
Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

RE: Investing in Cities and Protecting 41,000 Jobs

The Residential and Civil Construction Alliance of Ontario (RCCAO) is pleased to provide you and your government with our 2021 Federal Budget Submission.

RCCAO is an alliance of key labour and management stakeholders derived from the residential and civil construction sectors. A primary RCCAO focus since our inception has been the importance of investing in public works – from transit and water systems to roads and bridges – and doing so smartly and efficiently for taxpayers and daily users of infrastructure.

RCCAO commends the federal government for the cooperative approach it has taken with provincial, territorial and municipal governments since the beginning of the pandemic and for the leadership it took on providing financial assistance through the Safe Restart Agreement in 2020. The funding contained within that agreement provided necessary financial relief to municipalities across Ontario to help them deal with budget shortfalls caused by COVID-19.

However, the pandemic has created a serious fiscal challenge for municipalities, resulting in continued deficits for 2021. Thus, **RCCAO is urging the Government of Canada, in partnership with the Province of Ontario, to provide municipalities with financial assistance, whether through a Safe Restart Agreement 2.0 or via other 2021 funding mechanisms.** RCCAO will continue to work in collaboration with all levels of government to ensure that funding is allocated to shovel-ready projects that can be immediately tendered, protect a high number of jobs and address critical infrastructure renewal.

It is crucial that adequate funding, or at least financial assurances of such, occurs in early 2021. Otherwise, municipalities which cannot run deficits and must pass balanced budgets will face the prospect of having to delay or cancel state-of-good-repair (SOGR) projects. This would have disastrous effects on the construction industry and the provincial economy.

Ontario municipalities have been reducing their spending and reallocating money from their Capital Budgets to their Operating Budgets to fill the deficit gap caused by the pandemic. This is especially true for municipalities with large transit systems. For example, in the City of Toronto a total of \$800 million of capital funds will be used to cover the 2021 deficit in the absence of a Safe Restart Agreement.

Infrastructure project tenders have been decreasing significantly since last summer and our members have already seen hundreds of construction workers laid off. A report that we



commissioned from Prism Economics and Analysis, called [*Averting a Crisis: The Need to Protect Ontario's Infrastructure Investments*](#), found that 41,000 construction-related jobs are at risk if building permits continue to decline.

Over the mid- and longer-terms, defunding capital programs will lead to crumbling infrastructure, which is not a recipe for competitive economic growth. Funding directed at maintaining physical assets in a state of good repair can be considered a stimulus measure since it tends to be more labour intensive and its economic impacts are more immediate. Strategic infrastructure investment is recognized as a foundational element to rebuild regional economies and SOGR projects deliver on this and must be prioritized by all levels of government.

Investing in infrastructure is one of the best ways to help Ontario recover from the effects of COVID-19. In addition to the social benefits of infrastructure and the creation of a hard asset at the end of construction, each dollar of infrastructure spending has a positive effect on the economy: in the short-term, by supporting jobs and businesses, leading to lower levels of unemployment and a higher level of economic growth; and, in the long-term, by boosting the competitiveness of businesses, thus leading to greater wealth creation and higher living standards.

Increased investment in infrastructure also spreads throughout the economy via a series of multiplier effects. For every \$1 billion in infrastructure spending, GDP is boosted by an average additional \$1.46 billion, or an average multiplier effect of 1.46.

We know these are difficult times, however we are proud of the way that Canadians have risen to the occasion and have shown unity and care for the collective wellbeing of all. If you wish to discuss further, we would be pleased to outline in greater detail the roadmap which we believe is crucial to ensuring that Canada, its economy and social welfare bounce back from the pandemic stronger than ever before. We appreciate your time in reviewing our submission.

Regards,

Nadia Todorova
Interim Executive Director

Copy to:

Rt Hon. Justin Trudeau, Prime Minister of Canada
Hon. Catherine McKenna, Minister of Infrastructure and Communities
Hon. Dominic LeBlanc, Minister of Intergovernmental Affairs