Presentation by RCCAO executive director Andy Manahan to Ontario's Standing Committee on Finance and Economic Affairs

The following is a transcript of remarks that were made by RCCAO executive director Andy Manahan on July 30 to the all party committee. A number of other presentations were made to the committee. These are the introductory remarks that were made by Andy as well as follow-up questions by MPPs and responses.

The Chair (Mr. Amarjot Sandhu): Thank you so much. Our next presenter is the Residential and Civil Construction Alliance of Ontario. Please state your name for the record, and you will have seven minutes for your presentation.

Mr. Andy Manahan: Good morning, Chair Sandhu and esteemed members of the finance and economic affairs committee. My name is Andy Manahan. I'm the executive director of the RCCAO. I'm delighted to have the opportunity to provide you with some insight into how the infrastructure sector has been impacted by the COVID-19 pandemic.

The Residential and Civil Construction Alliance of Ontario is comprised of key labour and management stakeholders in our sector. It was formed to address the challenges affecting the delivery of projects such as the procurement and approval processes. In fact, our very first report provided advice to the provincial government on the establishment of the public-private partnership program through Infrastructure Ontario. We work together with government and industry experts to offer realistic solutions to problems in the areas of infrastructure delivery. This includes resilient infrastructure, growth planning, regulatory reform and skilled labour issues.

Since our inception in 2005, 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 has been a primary goal of ours. Although we are focused on provincial matters, we have been lobbying Ottawa for more infrastructure funds. In fact, last week, we submitted a pre-budget submission to the federal government.

Infrastructure lays the foundation for building a prosperous and inclusive nation and province, as well as providing significant opportunity for economic growth, competitiveness and fostering strong communities across Ontario. The role of infrastructure has never been more important than it is now, and as Ontario seeks to recover from the effects of COVID-19, strategic investments in infrastructure provide one of the best ways to achieve that goal. Certainly, we recognize that we are in a revenue-constrained environment, so we must make smart investments and have to be cost-effective, as well.

Research has demonstrated that the impact of infrastructure spending on job creation is significant. For every $1 billion in infrastructure spending, 16,700 new jobs are generated each year. Increased investment in infrastructure also spreads throughout the economy via a series of multiplier effects. For every $1 billion in infrastructure spending, the GDP is boosted by $1.14 billion—and actually, in the transportation sector, the multipliers are even higher than that. We can help the economy overall by lowering business costs by putting in place productivity enhancement in infrastructure.

Since the start of the pandemic, the construction sector has been a leader in the province. For the most part, construction is deemed to be an essential activity, and we are grateful for this designation. Those who are responsible for achieving high health and safety standards take this role seriously. Our industry has taken the necessary steps to address COVID-19 in the workplace.

We recognize that municipalities have been hard hit by the pandemic, and this has had a ripple effect on at least part of the construction sector. Municipalities, as we all know, have faced tremendous fiscal challenges because of the pandemic, and this has had a negative impact on infrastructure projects. The most recent announcement earlier this week, on Monday, by Ottawa and Queen's Park, to support municipalities and transit systems is recognition of the unprecedented cash crunch that local governments are experiencing. Unfortunately, the municipal sector had already been slowing down before this announcement and had not been proceeding with priority infrastructure projects that were planned for 2020.

Surveys conducted by our members indicate that the pipeline of municipal projects for the fall season has dropped off significantly, with some construction firms signalling that the situation for the remainder of the year looks bleak. The lack of municipal tenders is a very concerning sign for the industry, as it indicates a drop in construction activity and state-of-good-repair infrastructure projects.

Although we applaud the recent $19-billion assistance through the Safe Restart Agreement, which includes the $4 billion for Ontario municipalities, there should be a sustained focus on assisting municipalities as the pandemic ensues. We, too, are counting on the federal government to bring forward a broader stimulus package, hopefully in September.

In early June, RCCAO commissioned an evaluation of infrastructure investment—by well-respected analytical firm CANCEA. The report confirmed that municipal governments are facing the prospect of massive operating deficits due to the heightened need for services and a simultaneous drop in revenue. Combined with a significant expected decline in GDP, this could put Ontario's infrastructure investments at risk, which will have long-term implications for growth even after the COVID-19 threat has passed. The report recommends that governments focus on strategic investments in state-of-good-repair projects that will keep jobs and growth on track and our municipalities afloat. Failure to address municipal deficits and maintain infrastructure spending will have devastating economic consequences across Ontario.

Specifically, the report recommends that the federal and Ontario governments invest in infrastructure at pre-COVID-19 levels and that the federal government cover the majority of municipal operating deficits. Under this scenario, Ontario would gain 61,000 jobs on average per year over the next 10 years, and the federal and provincial governments would receive $9 billion and $13 billion respectively in revenues.

Research shows that in times of a challenging recovery, such as the one we are experiencing, it's critical for the construction sector to be working as efficiently as possible and looking for ways to streamline the approvals process. We are thus greatly encouraged by several pieces of legislation that the government has recently introduced and passed.

The COVID-19 Economic Recovery Act ushered in changes that were necessary to expedite building approvals and cut unnecessary red tape. One specific area of positive change in Bill 197 pertains to the modernization of Ontario's environmental assessment system. For us specifically, that revolves around the municipal class EA process. Our partners in the municipal sector have said that the goal is to improve the process, but not to change outcomes. The proposed amendments mean that the same project will be built, whether it's a bridge, a bike lane or a sewage treatment facility, with the same environmental oversight, but it will be constructed faster—and at a lower cost for taxpayers.

We are also pleased to see that the Building Transit Faster Act will allow for early works, which will help to deliver transformative projects such as the Ontario Line more efficiently and quickly compared to the previous timelines of many projects. For example, relocating utilities in advance of certain EA work will help to speed up the process.

I did want to mention that many of our construction members are experiencing difficulties with the Ontario One Call Act, which was enacted in 2012. Even though there's a legislated requirement for five business days to get markings on projects where the underground facilities are, we're finding that hundreds of projects are taking weeks to get those markings. So if there's another area to speed up the process, we would recommend that that would be a serious area for the government to look at.

Following are questions from MPPs on the Committee that were directed to Andy Manahan, along with his responses:

Mr. Stephen Blais: Thank you, everyone, for your presentations this morning.
I'd like to start with the Residential and Civil Construction Alliance of Ontario.
Thank you, Andy, for the presentation. You talked about how municipal tenders are down as a result of a lack of clarity and confidence around their funding and the shortfalls they've received, and the lack of definition around a provincial and federal program. Do you have an estimate as to how much lower the tenders are—either by a dollar figure or an average, so far, year to date?

Mr. Andy Manahan: The survey I referred to was from one segment of our industry, and that was the heavy contractors' association. They do a lot of work in terms of bridges. These are civil-type projects. They do deep foundation work, for example, for condominium buildings, so that's private sector, and also tunnelling for subways and other types of transit systems.
I don't have an exact figure across the board, but our members are continually feeding us informal information and saying that, overall, they're seeing a drop in the tenders just because of the difficult situation that municipalities are facing. We can understand that, and there is a cash crunch that I referred to.

That's why we're saying it's a desperate situation right now, and we recognize that there is only so much the province can do. Municipalities have to balance their budgets, and the federal government is the only one that can print cash, so that's why we started lobbying up in Ottawa earlier this spring.

Mr. Stephen Blais: When you talk about the need to focus on strategic investments, what do you have in mind? We often hear about the infrastructure renewal deficit and just simple repavings and potholes and waste water etc., but often governments overlook those for the shiny new baubles. What did you have in mind from a strategic investment point of view?

Mr. Andy Manahan: I'll make this into two categories, and I'll compare it to 10 years ago when we were going through the financial crisis. Ten years ago, a lot of Ontario municipalities did not have rigorous asset management plans. The province encouraged all sizes of municipalities to come forward, and in many cases they were saying, “You will not get funding from the province unless you can show that you have a plan.” So, municipalities actually have a good list right now of what they can do in terms of state-of-good-repair. These are what I would call priority lists.

The second category would be what I would call more in the long-term category, and that’s laying the foundation for future growth. If Canada gets back to normal in terms of its immigration, we’re going to need to accommodate that population with a range of infrastructure. Certainly, Minister McKenna in Ottawa has said that we need a triple lens on this kind of thing. It should be resilient in terms of climate change or more severe weather. We need to be inclusive. Those are all important strategic objectives, and with COVID-19, I think we are able to look at how we might calibrate to do things a little bit better.

Mr. Stan Cho: Thank you for your presentations today, gentlemen. They’re very well received. Before I get to my questions, Mr. Manahan—I’m not sure if you concluded your entire presentation. It seemed like you were wrapping up. Do you want to take a minute or two to just finish up what you were saying?

Mr. Andy Manahan: Thank you for the opportunity.

I was talking a little bit about utility locates, and what I would suggest is that there are some operational things that could be done. Obviously, there are differences between a homeowner who is getting Rogers or Bell or something of that nature and a larger construction project where we have multiple contractors or subcontractors on a site. Unfortunately, the rules as they now stand require each of those subcontractors to get their own locates, and that can be very time-consuming. We think that for one project, they should be able to share the utility locates. Those are time-limited in 30 days, and we’ve seen sometimes that the project can’t get going in 30 days, so they have to get everything re-marked again.

This is an area where we will be providing more detailed advice, but we have had a lot of discussions because when the stimulus money comes, we want to be ready to rock and roll.

Mr. Stan Cho: That’s really great to hear, Andy. I think that’s a very valid point. We have to make sure that there are no other impediments once we start to move forward. These sorts of infrastructure investments are going to be crucial in our recovery plan as we move forward. So, please, I look forward to that information being sent along.

Ms. Donna Skelly: My next question is for Mr. Manahan. We’ve heard from many members of the construction industry throughout these hearings, but clearly you will play a pivotal role moving forward. Is there anything that you feel we haven’t yet addressed in terms of what role your industry can play and how we can collaborate, beyond what we’ve heard from you today and from other members previously?

Mr. Andy Manahan: There is one area that the industry has had lengthy discussions with the Ministry of Transportation and Metrolinx and certainly Infrastructure Ontario on, and that has to do with P3 projects and risk allocation. I’ll give you an example: With the Eglinton Crosstown LRT project going through the middle of Toronto, it was discovered around Yonge Street that there were a lot of ancient utilities that were not on anyone’s surveys or maps or anything like that. Our discussions with, let’s call it the province, have been that it’s inappropriate for the private sector to take on that kind of risk. So, I think we’re making progress in that regard. For future projects, I believe that the province will rightfully take that risk over.

Where we're having further discussions right now, and perhaps your help on this would be needed, is that because of COVID-19—there are certain contractual provisions, especially in larger P3 projects, that if you don't hit the timelines, you can face severe penalties for lack of progress. Earlier in the morning, both Minister Scott and the deputy minister talked about a slowdown in productivity on many construction sites, because we have to have physical distancing. There's obviously way more PPE. If you're going up a hoist in a building—you can only have one person or two, and not three or four. So the work has slowed down. We don't want to be penalized for that if we're trying to keep our workforce safe.

Ms. Donna Skelly: One of the areas that is raised often in these committee hearings is red tape—just your comments on what we can do as a government, or what we have done to address this, in terms of construction.

Mr. Andy Manahan: The municipal class environmental assessment process is something I have worked on personally with my friends at the Municipal Engineers Association, AMO and the Ontario Good Roads Association. In fact, three years ago, we launched an environmental bill of rights process to try to get those changes. I'll just give you one example: In 2016, I was before this very same committee. I was talking about a low-risk maintenance type of activity that almost every municipality does, and that has to do with snow plowing. The way it stood—(answer is cut off due to time).

Mr. Jamie West: I'm going to move to Mr. Manahan from the Residential and Civil Construction Alliance of Ontario. I want to thank you, as well. We've heard consistently on these calls about the importance of infrastructure construction. We've heard it from groups like yours, from municipalities, contractors, labourers. I'm just emphasizing this so the government is listening about how everyone is united that this is going to help rebuild the economy and kick-start the economy.

One of the facts you'd said—and I was trying to take notes, but you were trying to keep up with the time—you started off by saying a $1-billion investment boosts GDP—and I lost the number. How much does the $1-billion investment boost GDP?

Mr. Andy Manahan: That was $1.14 billion, but I think I indicated that for transportation, you could get up to $1.6 billion; for example, with port infrastructure for moving freight across the Great Lakes seaway.

Mr. Jamie West: You talked in different ways about the direct jobs and the spinoff jobs. The first thing we're all thinking about right now is trades, because we're working on building up the trades class, but there are civil engineers, the project management, safety management, labourers, the office workers and then those spinoff jobs of tourism. If you're bringing in people who are from out of town, they're staying in hotels, they're eating in restaurants or they're getting food from grocery stores. At one point, you talked about 16,700 new jobs each year. Did you want to expand on the importance of creating jobs?

Mr. Andy Manahan: Absolutely. Construction is a derived industry—on the one side, we react to growth, but we also create growth because there's a whole supply chain that's attached to it. If you're building a condominium and people are moving into it, they're going to be buying furniture, carpets and you name it. On the infrastructure side, we're helping to enhance goods movement, and hopefully, when we get back to some sort of normal, whether it's on a bus or you're driving on the road to get to your office—this is all critical in terms of the movement of people and goods.

Mr. Jamie West: I worked in the trades. I've done this work, and I know the value when you drive past something you've built and it's there 20 years later. It feels great.

Mr. Stephen Blais: Mr. Manahan, in Ottawa we have a number of major infrastructure projects on the go, a housing boom. We hear quite often of the shortage of both skilled and unskilled labour and, as a result, either build quality has gone down or has been slowed up.
If the government were to come forward with a major investment in infrastructure, what's the industry's capacity to actually absorb that and ensure that quality and timeliness is there?

Mr. Andy Manahan: Thank you for the question. Attracting young people to the construction industry has been a primary focus of not only RCCAO but many other organizations. Right now, there's not a lot of new hiring, so if we see an uptick, I think our ability to complete those projects will be very high. I can't speak for every single municipality across Ontario, but certainly we're ready, willing and able.

Mr. Stephen Blais: Have you, or has anyone in the industry, put a dollar figure together as to what you think is needed from an infrastructure program?

Mr. Andy Manahan: A lot of people still refer to the Federation of Canadian Municipalities figure from 2007, that we need $123 billion across the country. In the CANCEA research that I referred to earlier, we turn it on its head and use a percentage of GDP. Unfortunately, the federal government, in the research we've done, have been laggards at 0.4% of GDP, the province and municipalities are at about 2.3%, and the macroeconomic optimal is at over 5%.

We actually need the federal government to pull up their socks, and we're hoping that happens. In addition, the Canada Infrastructure Bank should be playing a good role in that one, and quite frankly they could use pension funds, which are also ready to get higher rates of return through infrastructure investment.

It's not traditional government spending that we're looking at. I think we need to be innovative. Last year, the minister launched a program for unsolicited bids. We think that's going to be fantastic, and there was a lot of interest before COVID-19 happened.