RESIDENTIAL AND CIVIL CONSTRUCTION ALLIANCE OF ONTARIO

RCCAO

Constructing Ontario's Future

RCCAO Presentation to the Standing Committee on Finance and Economic Affairs
Thursday, July 30th, 11am
Virtual Appearance

Good afternoon Chair Sandhu and esteemed members of the Finance and Economic Affairs Committee.

My name is Andy Manahan, Executive Director of RCCAO, and I am delighted to have the opportunity to provide you with insight into how the infrastructure sector has been impacted by the COVID19 pandemic.

RCCAO, or the Residential and Civil Construction Alliance of Ontario, is an alliance of key labour and management stakeholders derived from the residential and civil construction sectors. The Alliance was formed to address the challenges affecting the delivery of projects, such as procurement and approvals processes. We work together with government and industry experts to offer realistic solutions to problems in the areas of infrastructure delivery, growth planning, regulatory reform and skilled labour.

A primary RCCAO focus since our inception in 2005 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.

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 provides one of the best ways to achieve that goal.

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, GDP is boosted by $1.14 billion. Investment in public infrastructure results in lower business costs and higher labour productivity.

Since the start of the pandemic in Ontario, the construction sector has been a leader in the province. For the most part, construction was 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, but this has had a ripple effect on at least parts of the construction sector.

Municipalities have faced tremendous fiscal challenges because of the pandemic, and this has had a negative impact on infrastructure projects. The most recent announcement on July 27 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 have 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 for state-of-good-repair infrastructure projects.

Although we applaud the recent $19 billion assistance through the Safe Restart Agreement, which includes $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 in September.

In early June, RCCAO commissioned an evaluation of infrastructure investment by well-respected analytics 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 threat of COVID-19 has passed.

The report recommended that governments focus on strategic investments in state-of-good-repair projects that will keep jobs and growth on track and our municipalities afloat. Alternatively, failure to address municipal deficits and maintain infrastructure spending would have devastating economic consequences on Ontario citizens and businesses.

Specifically, the report recommended that the federal and Ontario governments invest in infrastructure at pre-COVID levels and 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 revenue.

Research shows that in times of a challenging recovery such as the one we are experiencing, it is critical for the construction sector to be working as efficiently as possible and look for ways to streamline the approvals process.

To that end, we have been greatly encouraged by several pieces of legislation that the government has recently introduced and passed.

Bill 197, *the COVID-19 Economic Recovery Act,* ushered in changes that were necessary to expedite building approvals and cut unnecessary red tape, which will go a long way in addressing and stimulating Ontario's infrastructure requirements.

One specific area of positive change within Bill 197 pertains to the modernization of Ontario's environmental assessment system, and specifically 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 is a bridge, a bike lane or a sewage treatment facility – with the same environmental oversight, but it will be constructed faster and with lower costs for taxpayers.

Research we commissioned on MCEA projects showed that the cost for municipal projects to undergo reviews more than tripled to $386,500, on average, between 2010 and 2014. The length of a typical review grew from 19 to 27 months over the same period.

To facilitate an economic recovery spurred by infrastructure investment, it is important to remove unnecessary red tape and duplicative requirements. Our friends in Australia, for example, have instituted a 'green tape' program to expedite infrastructure projects. In many respects, the changes will address this slow and ineffective MCEA process by exempting low-risk projects from the regulatory burden. Public consultation will remain a feature for the majority of projects and we welcome this type of input.

We are also pleased to see that the *Building Transit Faster Act, 2020* 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 for many projects. For example, relocating utilities in advance of certain EA work will help to speed up the process.

On a related matter, many contractors in our network have provided examples of late locates being provided by utility companies through the Ontario One Call system. In 2012, Ontario enacted legislation which required five business days for providing utility markings, but there are hundreds of cases where the timelines are many weeks. This can postpone the opening of roads, sewers and many other vital infrastructure projects. Unfortunately, enforcement and compliance of the *One Call Act* has been non-existent. The One Call board is dominated by utility company representatives who do not see the merit of levying penalties on themselves.

Contractors still face long delays in waiting for all utilities to provide complete and reliably accurate locate information. The delays are compounded by the fact that all utility locates have a relatively short validity period, and once expired a request must be resubmitted. Further, when there are multiple contractors on the same site, each contractor must request their own locates. A practical solution would be to share locates. This would not only improve productivity on the construction site but would also reduce the workload of One Call member firms.

If all utilities do not respond within a set period, construction contractors cannot start any excavation and must contend with starting from scratch with a fresh set of locate requests. This can result in downtime costs of $10,000 or more per day per crew and can also trigger delay penalties against the contractor by the municipality or other owner.

The modernization and streamlining efforts that have been the cornerstone of recent government legislation must continue, especially in a post-COVID-19 landscape. Failure to proceed expeditiously will have a devastating impact on Ontario's infrastructure delivery process and this will further compromise Ontario's economic recovery.

We need to ensure that we are building housing for Ontarians, facilitating economic competitiveness, and creating investment opportunities. In this way, we will be building a robust and resilient society, with job creation as a fundamental objective.

Thank you very much for your attention this afternoon. I would be pleased to take questions from the Committee at your convenience.