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Residential Construction Council of Central Ontario

Let construction help fuel Canadian economic growth



Construction Corner

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The economic forecasts for the construction industry are not pretty, given what is truly a perfect storm of economic developments arising from the credit crunch, stock market crash and evolving global downturn.

The construction industry has typically been one that responds to external demand factors such as economic and employment growth, which increases demand for infrastructure, industrial, commercial and residential construction. The industry faces a particular challenge of being a lagging economic indicator — recent employment growth, to the extent that it exists in Ontario, is in construction.

Governments are usually slow to recognize the importance of the industry and the impact of economic downturns, tending to unwittingly place further burdens on the industry at a time when its market cycle has started to turn. They also tend to stall or cut spending on construction when it should be expanding.

This is unfortunate as government spending on construction and infrastructure should be counter-cyclically weighted.

In other words, spending more when times are tougher means government can get a bigger

bang for its buck. And government is now more involved in the construction production process than at any other time.

The massive amount of construction regulation makes government effectively an integral part of the industry.

Government fees and taxes have been growing at an alarming rate in recent years at a time when real incomes have been stagnant or falling and business has been struggling to compete internationally.

Governments at two levels have now thankfully indicated they need to ramp up infrastructure spending and cut regulatory barriers. However, this objective remains long on rhetoric and short on real action at a company level.

The apparent lack of urgency will require industry to fight for attention and create new opportunities. On the infrastructure front, a coalition of the residential and civil sectors including labour and management has had considerable success driving that agenda. While the Residential and Civil Construction Alliance of Ontario (RCCAO) effort has had considerable success, it needs to be expanded and joined by the ICI sector as well. It is also clear other industry-wide issues require similar attention.

An efficient construction industry is a fundamental necessity to build solid infrastructure, affordable housing, offices and factories.

Currently there is little accountability or benchmarking with respect to the related government services required, what value they add to the process and how Canada ranks with other jurisdictions.

Business investors need to know with certainty they can have housing, offices and factories built in an efficient manner on world-class infrastructure. The province currently lacks a coordinated strategy to ensure we have the best construction system. It needs one. It assumes regulations and the various government services provided should be no less efficient than those provided and delivered by private sector organizations in a competitive environment. The economic benefits are enormous.

Housing and other forms of construction are creators of well-paying jobs, both directly and indirectly and utilize materials typically sourced in North America such as lumber, steel, concrete, metals and glass.

The industry and government need to set specific, measurable targets for reducing regulatory costs and speeding approvals.

The faster and cheaper things can be done, the sooner people will work, and the earlier the results can be added to municipal tax rolls.

Easing the regulatory burden and stimulating construction would be an all round winning proposition in these difficult times.

Richard Lyall is president of the Residential Construction Council of Central Ontario (RESCON).