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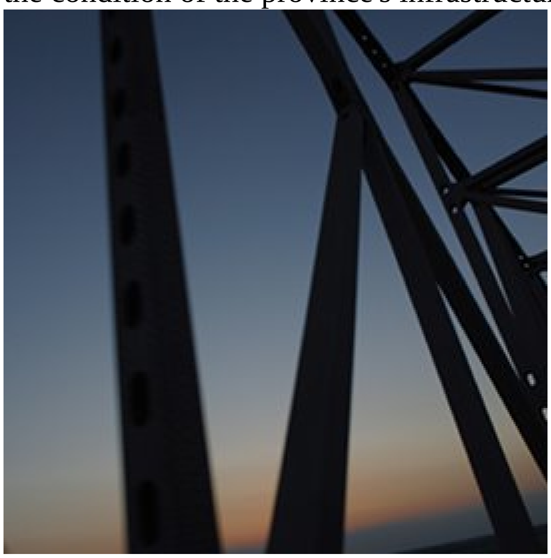
AG calls for 'better handle' on infrastructure planning

by LINDSEY COLE Dec 11, 2015

Ontario's auditor general (AG) is calling on the Liberal government to "get a better handle" on the condition of the province's infrastructure in order to prioritize critical investments.



In her 2015 Annual Report, Bonnie Lysyk states with Ontario's plan to spend more than $120 billion on infrastructure in the coming decade, the government needs to better identify and measure infrastructure investments in order to determine where spending should be directed.

Her report, which was tabled in the Ontario Legislature Dec. 2, states the replacement value of the portfolio of public infrastructure, which includes highways, bridges, transit systems, schools, universities and government buildings, is close to $500 billion. The province oversees about 40 per cent of these assets.

"However, much of the infrastructure overseen by the province is older and will need major investments to keep it in acceptable condition," reads a release from the auditor general's office. "The average Ontario school, for example, is 38 years old, while the average hospital is 45 years old."

The report notes in the last 10 years, Ontario's largest infrastructure investments have been in the transportation sector, followed by health and education. More than $20 billion has been invested for transit projects; $18.8 billion to design, repair or build nearly 8,000 kilometres of roads and 950 bridges; more than $16 billion for the hospital sector; and $12.7 billion to build 700 new schools and make major additions and renovations to more than 725 existing schools.

Lysyk says while investment is needed to maintain and improve existing assets, new assets are also needed and should be planned accordingly.

The auditor general's 2014 report made headlines and ruffled a few feathers in the construction industry after it claimed public-private partnerships cost taxpayers $8 billion more than if the infrastructure was built by the public sector. She said Infrastructure Ontario's Alternative Financing and Procurement (AFP) model wasn't actually saving taxpayers money, with the majority of the $8 billion cited ($6.5 billion) relating to private sector financing costs.

It's a topic that is not analyzed in-depth this year, Andy Manahan, executive director of the **Residential and Civil Construction Alliance of Ontario** (RCCAO), points out.

"I thought there may have been a slight follow-up on the AFP stuff," he explains. "So this was a bit of a surprise I think."

That said, Manahan states the issues Lysyk raises this year fall in line with several reports commissioned by the RCCAO from Michael Fenn and the Canadian Centre for Economic Analysis that call for proper infrastructure planning.

"We are in a bit of a sweet spot right now with respect to at least both majority governments saying similar things, that we need to make decisions that are based on evidence that is in the public interest," Manahan says.

"There's some good noises coming out of the AG (report) and we'll see what the reaction is. It still has to play out, but at least the messaging is the kind of messaging that we've been advocating for."

A significant portion of Lysyk's infrastructure audit was conducted at the office of the Treasury Board Secretariat, where infrastructure plans and documents are submitted.

Among the report's findings was that there are no guidelines for the "desired condition at which facilities should be maintained, and there is no consistency among ministries on how to measure the condition of assets under their stewardship."

What's more, while the government plans to put two-thirds of its infrastructure spending in the next 10 years towards new construction and one-third to repairs and maintenance, its own analysis of ministry information shows those proportions should be reversed.

"According to the Secretariat's internal analysis, an average annual investment of 5% needs to be spent on asset renewal annually. However, the Secretariat estimated that the '10-year capital plan only contains renewal investments of around 1.9% of current replacement value of the stock,'" the report reads. "In other words, the plan does not allocate enough funds for repair and maintenance to sustain the current stock of assets."

The Treasury Board, whose response was noted in the report, states it is taking action to "advance the use of evidence to inform infrastructure decision-making."

Manahan says there are indications that the message about proper infrastructure planning isn't falling on deaf ears.

"From my perspective, and discussions I've had, it is recognized within the quarters of Queen's Park that there has to be better co-ordination on some of these issues," he explains. "One of the items on the agenda (for discussion in the New Year) will certainly be the pipeline of projects, greater use of different types of modelling, but not just modelling, different methods of trying to figure out what the priorities should be."

And those priorities should not be based on politics, he says.

"Certain regions are going to need to compete with other regions in the U.S. and how do we ensure that these projects are going to give good value and good return on the investment?" Manahan adds. "It can't just be something like, this is a Liberal riding, or other sorts of political considerations that always enter into it. It has to be beyond the political side of it."