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Infrastructure funding will boost economy: RCCAO

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The current $12 billion annual provincial investment in infrastructure creates 203,000 jobs and increases the provincial GDP by an estimated $18.5 billion, says a recent report commissioned by the **Residential and Civil Construction Alliance of Ontario (RCCAO)**.

The report, “Investing in Ontario’s Infrastructure for Economic Growth and Prosperity,” documents the results of a simulation exercise using an input-output model of the Ontario economy based on 2008 industry structure that estimated the economic impact of a $12-billion public sector investment in non-residential building and engineering construction in Ontario. The investment would generate an estimated $10 billion in employment income and an estimated $668.7 million in corporate taxes and $161.2 in personal income taxes. RCCAO executive director Andy Manahan said his organization wanted to ensure it had the most up to date numbers as possible with this report.

“It was really to keep at the forefront for politicians and decision makers that infrastructure is still really an important asset and there has been a lot of debate since 2008 about what’s the appropriate approach with respect to stimulating the economy,” he said.

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“Rather than turn on the tap and prime the economy, it’s better to have long-term infrastructure programs that’ll increase the productive capacity of the economy.”

Each $1 billion invested in non-residential building and engineering construction creates almost 17,000 new jobs. Of those, the model estimated 3,050 jobs in direct impact, 2,850 jobs in indirect impact, and 11,000 jobs in induced impact. The report, which reviewed several reports on infrastructure, is the first one commissioned by the RCCAO that takes an input-output modeling approach to infrastructure investment.

“They use the latest input-output modeling so you’re not using assumptions that result in over estimating the total size of the economy. It’s as realistic as possible,” said Manahan.

These benefits are in addition to the longer term direct benefits of this kind of investment that would result from society’s use of new or rehabilitated infrastructure. It says that a $12-billion investment in transportation infrastructure could significantly improve the region’s accessibility and mobility with related improvements in labour and business productivity.

“The opportunity cost of not spending now reduces the productive capacity of the economy in the future, especially when public capital investments in infrastructure have the potential to generate immediate and substantial productivity gains,” says the report.

The report’s literature review found that public infrastructure has been a significant contributor to economic growth in the past. Most studies showed that the short and long-term impacts of infrastructure investments have been positive. They have also indicated a general consensus that there has been a largely positive relationship between investments in public infrastructure and economic growth.

Previous research has also shown that during recessionary times, infrastructure investment has boosted the economy and been a primary job creation tool, while at the same time producing the infrastructure necessary to supporting future economic growth.

“Input-output models are the preferred tool to capture the relationship between infrastructure investments and their impact on economy,” says the report.

The report also reviews Metrolinx’s transportation infrastructure plan for the Greater Toronto and Hamilton Area (GTHA) and recommended user fees and taxes, which are likely to modify consumer behaviour, as preferred tools for revenue generation to support the construction of new infrastructure.

The RCCAO believes that a sustained execution of a well thought out transportation plan, that includes transit and roads, will reduce congestion and improve commute times and economic opportunity.