

Feds' phased infrastructure lauded by stakeholders

by DON WALL Mar 29, 2016

Stakeholders in Ontario's construction industry are uniformly thrilled with the level of infrastructure spending delivered by federal Finance Minister Bill Morneau in his 2016 budget reveal, but there's a diversity of views about the implications of Morneau's two-phased implementation plan.

The Liberal government committed to spending \$120 billion on infrastructure over the next 10 years as part of a first-term budget plan with the prime stated intention of boosting the middle class.

Morneau announced a deficit of \$29.4 billion for the 2016-17 fiscal year on March 22 that will pay for significant new social programs, boost First Nations communities and help create an economy that will be less carbon reliant.

The infrastructure investments are backloaded. Phase 1, costed at \$11.9 billion, covers immediate investments in basic projects such as water and wastewater systems, public transit and affordable housing, while phase 2 takes the long view and includes "broader and more ambitious" projects leading to "a more modern, cleaner economy; a more inclusive society; and an economy better positioned to capitalize on the potential of global trade," the budget document states.

Phase 2 "will go hand in hand with the transition to a low-carbon economy," it reads.

A statement issued by the [Council of Ontario Construction Associations](#) (COCA) said, "The government's recommitment to their campaign promise to invest \$120 billion over the next 10 years is reassuring. However, the budget contained scant detail of how projects will be selected or on specific projects."

Still, stakeholders recognized the phasing scheme as the government taking its time to ensure it gets the more transitional phase 2 spending right.

Sean Strickland, CEO of the [Ontario Construction Secretariat](#), called the budget "a good start.

"I think it is important to give the government the benefit of the doubt to get it right, in terms of investments in shovel-worthy projects. Eleven-point-nine billion will provide some stimulus in the near term, but in the longer term the industry will be looking forward to more details on how that infrastructure plan is going to roll out."

"I think in the end, I don't want to be overly critical. But this first budget was more about program spending and delivering relief to the middle class than it was about infrastructure."

Andy Manahan, executive director of the **Residential and Civil Construction Alliance of Ontario**, took the argument a step further, welcoming the patience the Liberals had shown in not announcing many years' worth of specific projects.

It would be unwise to pencil in billions of dollars of spending on projects while the government is still figuring out the mandate of the proposed Canadian Infrastructure Bank, incorporating its innovation agenda and developing the low-carbon template, he said.

"I think by holding back a little bit, they are signalling they do want to get it right," said Manahan. "Other things like resilient infrastructure, which is part of the climate-change strategy, there is a reference to building low-carbon communities, the innovation economy, those are the sorts of things for Canada to do well in the future."

Both Manahan and Giovanni Cautillo, executive director of the [Ontario Sewer and Watermain Construction Association](#), pointed to a budget allocation of \$50 million to help municipalities improve asset allocation practices as a useful tool in phase 2 planning.

It would be inadvisable to pour money into municipalities before they have proper asset management plans in place, said Manahan.

"You can't guess," said Cautillo. "Do a proper asset management plan and build in the cost of new capital investment as well as refurbishing the old. You need to know what you have under the ground, you need to know what condition it's in."

But Cautillo was disappointed with the funding allocated to sewers and watermains. The sector was mentioned several times but when he added up the numbers, it was the same as in past years, he said.

"I always look for the positive," he said. "At least they are talking about water and wastewater. It's an excellent first step. But what I am looking for is a line item, in a federal and provincial budget, for water and wastewater."

A fourth stakeholder interviewed, COCA president Ian Cunningham, praised the government for its \$120-billion commitment to infrastructure and said of the backloading of the spending, "Maybe that is a good thing because they are developing their criteria and selecting projects and doing this carefully and wisely and thoughtfully."

But he warned about the size of the deficit.

"When investors look at Ontario and see this kind of scenario, these are investors and job creators, they are people who are prepared to risk their money in investment, in new plants and infrastructure in Ontario, and they look at a scenario that presents another \$113 billion to be paid off at some point in the future, they will have second thoughts," he said.

"Now, is it an insane deficit?" Cautillo asked. "No. Is it manageable? Yes. As long as they have a proper plan in place. And they stick to that plan."

Strickland agreed. "I don't think anyone wants to see a return to the past where governments returned successive deficits ad infinitum and there was no return to balance," he said.

He praised the dedication of \$3.5 billion in funding to First Nations communities.

"Personally, I was very, very happy to see that commitment," he said. "It will stimulate the economy but in terms of social benefit it will be something that will be well received by those communities and by Canadians."