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Provincial budget earns support from Ontario's non-residential construction industry

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Ontario's recent budget featuring a harmonized sales tax, assorted tax cuts and \$32.5 billion in infrastructure funding has received early construction industry support, but perspective and details are needed, industry stakeholders say.

"It is a pretty bold budget with some big steps," says David Zurawel, vice-president, policy and government relations for the Council of Ontario Construction Associations.

"With the corporate and small business [tax] reductions coupled with the funding for infrastructure, it should help our industry with a softer landing during this recession and help us weather it better."

With \$108.8 billion in spending in the budget, of which \$32.5 billion is targeted for infrastructure over the next two years, an estimated 300,000 jobs will be created by the end of 2010.

The massive infrastructure funding is essentially "booked" now in 2009 but realistically will flow out over time, note industry experts.

The \$32.5 billion breaks down as \$15.1 billion in 2009/2010 and \$17.4 billion in 2010/2011.

"No one really expects this entire stimulus to be spent in two years," explains Zurawel. "The magic number is that there is \$11 billion in new spending over the next two years."

Transportation funding (including transit) will be \$4.3 billion and \$4.8 billion in each of the two years; health (including hospitals) will receive \$3.2 billion and \$3.9 billion; educational institutions will see \$1.8 and \$1.9 billion invested in their capital stock; water and environment expenditures will be \$259 million and \$274 million.

Short-term stimulus programs of \$3.4 billion in each of the two years will include social housing, highways, municipal facilities (such as arenas and community centres) and projects in northern and rural Ontario.

Andy Manahan, executive director of the **Residential and Civil Construction Alliance of Ontario**, is confident more detailed infrastructure funding announcements will be released as the year unfolds.

“Even if only 75 per cent of what they have projected to spend is put out over the next four years, it will create stimulus activity and jobs for construction,” says Manahan.

International Union of Operating Engineers Local 793 business manager Mike Gallagher said municipalities need to act quickly to secure funding for infrastructure projects and ensure construction work does not grind to a halt.

“I hope that this infrastructure funding encourages municipalities to jump-start some of the projects that have been put on hold,” he says.

The Provincial Building and Construction Trades Council of Ontario says the budget is investing in the industry’s future at the right time, because it has the capacity to meet demand.

Places like Windsor, Hamilton and certain parts of northern Ontario face high unemployment rates in the construction trades, explains Patrick Dillon, business manager and secretary-treasurer for the provincial trades council.

“The creation of these construction jobs will allow the industry to be better prepared when the economy turns around. There is no better time to make these kinds of investments,” says Dillon.

The Ontario Road Builders’ Association (ORBA) says the provincial commitment to infrastructure, combined with the federal stimulus package, does provide a strong push which will benefit the industry and the province.

“Infrastructure will definitely benefit but there is a little caveat — the budget contained zero details on who gets the funding, when it can be accessed and how it rolls out,” says Rob Bradford, executive of ORBA.

The creation of a harmonized sales tax (HST) of 13 per cent as of July 1, 2010, will help businesses because the new tax will carry a pass-through cost and not an actual cost, explain industry representatives. The HST will create savings as current RST taxes have to be paid on every product purchased by a company with no ability to get that money back.

“It will relieve a heavy administrative overload we experience and will result in better efficiency and real dollars,” says Bradford. “There are many different tax treatments for various construction processes this will affect.”

The deficit for 2009/2010 is forecast at \$14.1 billion and \$12.2 billion for 2010/2011 and a balanced

budget is not projected until 2015/2016.