

Constructors pleased with infrastructure spending increase in 2017 Ontario budget

by Don Wall May 1, 2017

The Ontario provincial budget delivered by Finance Minister Charles Sousa April 27 was heavy on new social spending but stakeholders in the province's construction sector also found nuggets of good news including a sizable increase in infrastructure spending.

Sousa announced Ontario's first balanced budget in 10 years, with a \$600-million surplus projected for the 2017-2018 fiscal year and similar small surpluses the following two years. Document headlines focused first on pharmacare, housing regulatory reform, health care spending and a boost to child care but construction stakeholders digging deeper welcomed the hike of almost \$2 billion extra per year in infrastructure allocations over the next 10 years.

In the next fiscal year the annual infrastructure spend will escalate from \$13.54 billion to \$15.57 billion. The province's 10-year infrastructure plan now projects total spending of \$156 billion including \$56 billion on public transit, \$26 billion on highways, more than \$20 billion in capital grants to hospitals and almost \$16 billion in capital grants to school boards.

"It was a little surprise, I would have estimated it would be around the \$13 billion assigned to it a year ago," said David Frame, Ontario General Contractors Association (OGCA) director of government relations, of the total infrastructure spend. "An increase of \$2 billion is substantive."

This is the first budget in the last three years that boosts spending in the ICI sector, said Frame, noting increased capital allocations for the education, social and justice sectors. As for heavy civil, he calculated transit spending received the biggest boost, with almost \$1.8 billion per year in new pledges.

"It's always a good thing when there is more money for public infrastructure," said Council of Ontario Construction Associations president Ian Cunningham. "The industry ought to be pleased."

"There was lots of spending on new schools and so forth and that is good for construction. I think it was a good construction budget."

Sousa predicted real GDP growth for 2017 of 2.0 per cent and reported that the 2016-17 deficit of \$1.5 billion is lower than the \$4.3 billion forecasted last year.

"It will be interesting to see if growth and revenues come in as strongly as the government is projecting," said Cunningham, who added that with relatively strong growth and low unemployment, "I think Ontario is a good news story."

A budget overview published by the Ontario Road Builders' Association (ORBA) observed that total planned spending for transportation infrastructure is up \$205 million to \$8.51 billion for 2017-18. Transit spending will increase slightly to \$5.44 billion.

Several stakeholders commented they closely assess whether the government numbers show it spends all of the infrastructure dollars that have been allocated each year, and this year there was a surprise, with ORBA reporting interim numbers showing almost all of the Provincial Highways Management Budget for 2016-2017 was spent. Frame said the government actually overspent in terms of the whole infrastructure spend this year.

Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO), said the long-term numbers show it's still an issue to be monitored closely.

"We need the money to be spent that's been promised," said Manahan.

The budget stayed the course on sewer and watermain infrastructure spending, and Giovanni Cautillo, executive director of the Ontario Sewer and Watermain Construction Association (OSWCA), noted OSWCA appreciates the government's "ongoing commitment" to overall infrastructure.

"The 1,300 infrastructure projects submitted under the federal Clean Water and Wastewater Fund clearly communicate how significant the needed assistance from the government is on the water, wastewater and stormwater side," Cautillo wrote in a statement to the Daily Commercial News.

The Progressive Contractors Association of Canada (PCA) also issued a statement welcoming the Ontario government's spending on infrastructure and further noted measures to upgrade the province's apprenticeship program, improving access and completion rates. A new Career Kick-Start Strategy was announced that is intended to place 40,000 additional students in work-related learning experiences during their studies.

But the PCA reiterated its long-standing complaint that Ontario labour laws favour contractors linked to traditional trade unions over its members, which are termed "progressive unionized employers."

"Why won't the province amend its outdated labour laws so its infrastructure funding goes further?" said Karen Renkema, the PCA's senior manager, public affairs, Ontario. "It's an easy fix that would allow the Ontario government to maximize its infrastructure investments."

Manahan said none of the three issues the RCCAO raised in its pre-budget submissions were directly addressed, but said one of them, the bundling of bridge contracts among smaller municipalities as a way to increase financial feasibility, was the subject of ongoing discussions

involving provincial authorities and the Ontario Good Roads Association and looked to be gaining traction.

The RCCAO also advocated for more road pricing tools such as tolls as a way to fund infrastructure and deal with congestion but the budget was silent on those types of initiatives, he said: "I didn't expect it to be announced but it is important."

Both Frame and Cunningham noted possible major implications from the government's budget pledge to introduce amendments to the Workplace Safety and Insurance Act to include work-related chronic mental stress. The Workplace Safety and Insurance Board (WSIB) will be directed to develop policy and adjudicative processes to compensate for the condition.

"The Minister of Labour (Kevin Flynn) has a very strong feeling about treatment for mental illness," said Cunningham. "Most other jurisdictions in Canada provide coverage for chronic mental stress."

The intention is good, Cunningham said, but if the program is retroactive and reaches back many years, it would have an effect on the WSIB's unfunded liability.

"It's huge," said Frame.

"Our concern is that it is extremely difficult to adjudicate in a work-related context. But it's happening so we are going to deal with it."