

Industry organizations press feds on infrastructure spending

By Adam Freill April 17, 2023

RCCAO and RESCON point to shortfalls in federal government funding of much needed infrastructure in Ontario.

A pair of influential construction industry organizations in Ontario are calling out the federal government for not delivering on infrastructure spending.

Pointing to information in a recent research report authored by the Canadian Centre for Economic Analysis and commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO), the alliance claims the federal government is underfunding municipalities and public infrastructure, while reaping the greatest proportion of tax dollars from high-tax policies on homebuilding.

Echoing the call for more infrastructure spending, the Residential Construction Council of Ontario (RESCON) called on the federal government to invest more of the excessive tax revenue it collects from new home construction into housing supply and public infrastructure that supports growth.

The report, [Will Feds Answer the Call? Infrastructure Investment Lags Amidst Highly Taxed Housing Construction](#), indicates that public infrastructure investment is 30 per cent below what economic analysis recommends, despite production taxes on new housing construction being the highest of any sector. Cumulative underinvestment in across all three levels of governments in Ontario, says RCCAO, reveals the federal government has the greatest capacity to close the gap to the best practice recommendation of four per cent of GDP spending on public infrastructure.

“The federal government is benefitting massively from the growth of the Ontario economy but not reinvesting enough of the tax revenues it receives from new housing development into public infrastructure,” stated Richard Lyall, president of RESCON. “Both now and over the past decades, this has created unprecedented funding challenges for provincial and municipal governments. We are in the midst of a generational housing crisis, and it is critical that the federal government finally establish stable, predictable and substantial infrastructure funding for Ontario and its municipalities.”

Taxes on the purchase of a new home in Ontario account for 31 per cent of the price, up from about 24 per cent in 2012.

While the federal government reaps most of the benefits of growth through the taxation of new homes, the report notes it has not been a significant participant in funding public

infrastructure investment. This puts a strain on local governments and impedes construction. Ontario's population has grown by 68 per cent since the 1970s, however, the number of annual new housing completions has dropped by 23 per cent.

"The high taxes on housing construction and underinvestment in public infrastructure is a problem the federal government is uniquely positioned to resolve," said Nadia Todorova, executive director of RCCAO. "Ontario cannot realize economic and immigration growth goals without the support of the federal government increasing funding for public infrastructure."

"This ongoing lack of support is one of the reasons we have the worst housing affordability crisis in Ontario's history," added Lyall. "It is very difficult for developers and builders to build more homes – and for the public to afford them – when taxes account for such a large chunk of the cost and the funds are not being properly reinvested into public infrastructure for the future."

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