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Holding firm on pre-COVID infrastructure plans would benefit Ontario in long run, study says

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The pandemic is expected to cause serious trouble for municipal finances and could lead to cuts to cities' capital spending plans

With COVID-19 poised to greatly undercut government revenue in the coming months, a new study offers a pair of divergent scenarios for Ontario infrastructure spending and the associated economic benefits over the next decade.

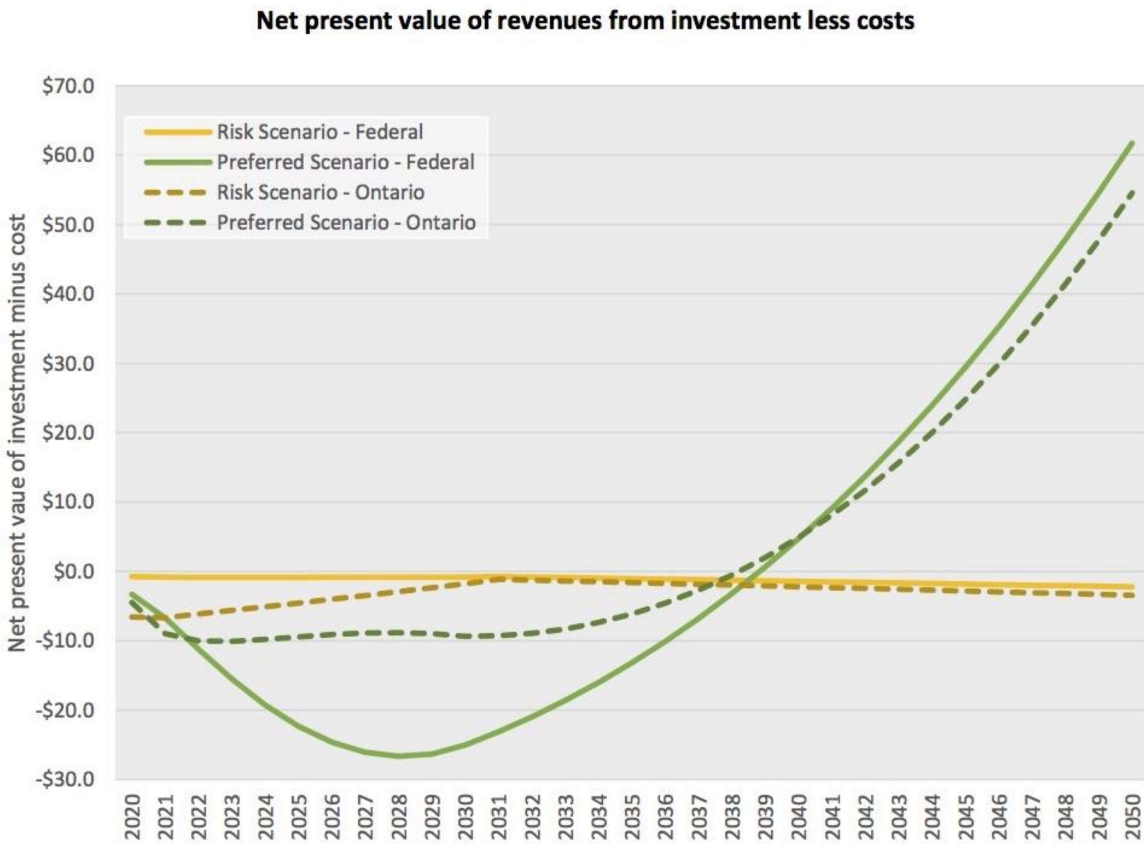
The report, assembled by the Canadian Centre for Economic Analysis (CANCEA) and commissioned by the **Residential and Civil Construction Alliance of Ontario (RCCAO)**, highlights the considerable differences the federal and provincial governments can expect for employment and revenue, depending on which route they pursue.

Under the "risk" spending scenario, the report assumes Ottawa and Queen's Park will trim their planned investments in infrastructure to keep spending at the same level as GDP, which is expected to fall sharply due to the pandemic. The other, "preferred" scenario, anticipates the two levels of government will maintain their pre-COVID levels of spending in spite of the expected drop in GDP.

Along with the separate tracks for infrastructure spending, the scenarios include distinct avenues for patching up municipal budgets. The "risk" scenario sees city shortfalls paid out of Ontario's capital budget, while the "preferred" scenario has the federal government picking up the majority of the tab.

"Governments face a stark choice as they plan for the post-COVID-19 recovery," Andy Manahan, the executive director of the RCCAO, said in a release. "Strategic investments in state-of-good-repair projects will keep jobs and growth on track and our municipalities afloat. Alternatively, failure to address municipal deficits and maintain infrastructure spending would have devastating economic consequences on Ontario citizens and businesses."

Analysis of the "risk" scenario forecasts Ontario would end up with an average of 55,000 fewer jobs per year over the next 10 years. The federal and provincial governments would also lose $8 billion and $12 billion in revenue over the course of the decade.



Under the "preferred" route, however, the province could expect to gain 61,000 jobs per year until 2030, with Ottawa and Queen's Park earning $9 billion and $13 billion in revenue, respectively. As depicted in the chart above, the benefits would extend well beyond 2030 as well, though require higher spending in the short-term.

Several other provinces have topped up infrastructure investments in response to the COVID crisis, but Ontario has not yet made any changes to its infrastructure spending plan. The federal government has announced plans to speed up gas tax funds for cities this year, as well as opened a new stream for COVID-19 responses within its Investing in Canada plan, but has not yet committed new funding.

You can read the full report here.