RESIDENTIAL AND CIVIL CONSTRUCTION ALLIANCE OF ONTARIO

RCCAO

Constructing Ontario's Future

Ontario at a critical moment to increase infrastructure investment: RCCAO

VAUGHAN (May 22, 2019) – The Residential and Civil Construction Alliance of Ontario (RCCAO) welcomes the provincial government's planned infrastructure investment, but is still concerned that not enough is being earmarked to build and maintain the province's aging infrastructure – especially by the federal government.

RCCAO commissioned new independent research by the Canadian Centre for Economic Analysis (CANCEA), which evaluates the percentage of Ontario gross domestic product (GDP) that is being invested into the province's infrastructure from the federal and provincial budgets. CANCEA has been tracking this issue through econometric analysis since 2010. A 2018 research report by the Toronto-based, big-data analysts found that ideally the combined federal and provincial investment in Ontario infrastructure should be 5.4% of Ontario GDP. The investments planned over the next five years amount to less than half of that at an average of 2.65%.

CANCEA president and CEO Paul Smetanin says that measuring infrastructure investment as a percentage of the province's GDP is an essential standard of economic health, including potential wage increases.

"As it stands, the numbers indicate infrastructure investment is not keeping pace with economic growth," Smetanin says. "While the dollar value of infrastructure investment grew by 11% between 2011 and 2018, investments as a percentage of Ontario's GDP decreased from 3.25% to 2.79% – that's a 14.2% drop in investment."

While the current provincial government pledged $144 billion over 10 years, CANCEA estimates that in total Ontario spent about $20.7 billion in 2018 and projects that it will spend $20.9 billion this year. In comparison, the federal government spent $3.1 billion in 2018 and is projected to spend $4.5 billion in 2019.

The federal contribution has remained under 0.5% of GDP, as reported by CANCEA in its 2014, 2018 and 2019 reports.

RCCAO executive director Andy Manahan says that addressing our infrastructure gap through projects with good returns on investment is critical. This includes programs that focus on asset management.

"With more than one-third of Canada's population, Ontario is the country's economic engine. If we don't build and maintain bridges, roads, transit, sewer and watermain systems, and more, we will be patching up the aging infrastructure built for our grandparents with borrowed money," Manahan says. "Meanwhile, essential projects such as the Ontario Line (formerly the Relief Line) have to proceed as soon as possible to avoid tragedies on jam-packed platforms. While the provincial government can do more on infrastructure, it's time for the federal government to significantly step up."

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To maximize total returns, CANCEA recommends that the investment should be split between the different tiers of government “according to expected future benefit.” For example, if infrastructure investment increased federal government revenue by 40% and provincial government revenue by 60%, an equal share of the risks and rewards would require that the federal government contribute 40% to infrastructure investment whereas the provincial government would contribute 60%.

Click here to read the research.

WHAT IS CANCEA?
The Canadian Centre for Economic Analysis is a leader in independent economic and policy analysis. CANCEA is unique in the way it uses significant amounts of open-source data with machine learning to investigate the impacts of important policy issues.

WHAT IS RCCAO?
This labour-management construction alliance has advocated for infrastructure investment for 13 years, commissioning 49 independent, solutions-based reports to help inform decision-makers.

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