

Pre-Budget Presentation to the Standing Committee on Finance and Economic Affairs

**Barrie, Ontario
February 01, 2007**

Good afternoon Chair and members of the committee.

Thank you for this opportunity to make a presentation on the pre-budget. My name is Andy Manahan. I am the Executive Director of the Residential and Civil Construction Alliance of Ontario. With me is Mr. Phil Rubinoff, the Chairman of RCCAO.

RCCAO is a relatively new organization which brings together labour and management representatives across the residential and civil construction sectors. Although RCCAO was formed in late 2005 many of the member associations that we represent have been in existence for many decades. The list of contractor associations and construction unions that we represent is appended to the presentation.

We are pleased to be here in Barrie today as this region represents an important segment of the construction work that is carried out by our member firms. The residential housing sector and numerous other infrastructure projects such as roads, sewers, watermains, and bridges are a tremendous generator of employment to our industry as well as related sectors. As well, there is a growing segment of the construction workforce that lives in the Barrie and Simcoe area so there is a vested interest and pride in ensuring that infrastructure investment is made within their local community.

Collectively, RCCAO aims to facilitate dialogue and ensure that the voice of the construction industry is clearly heard and understood by key decision-makers. RCCAO will work with all levels of government to seek out solutions to a variety of challenges facing our industry and the communities that we build in. Encouraging more strategic infrastructure investment and seeking ways to fast-track priority infrastructure projects are primary objectives of our alliance.

RCCAO has already released two major reports that are available at our web site: 'The Infrastructure Funding Deficit: Time to Act' concludes that alternate financing arrangements are appropriate for certain types of infrastructure. We believe that public pension fund holders want to see their dollars invested in our home turf as opposed to on foreign soil ... it's called making an investment or commitment to your own community (a recent letter to the editor in response to a Toronto Star article is attached).

Transportation Infrastructure

Last year, RCCAO commissioned a study by recognized transportation experts led by Dr. Richard Soberman. In November the report 'Transportation Challenges in the Greater Toronto Area' was released and it highlighted that effective governance is a prerequisite to the development of a comprehensive transportation plan. Predictable, long-term funding streams are also important to ensure that continuous improvements can be made to public transit. An executive summary from the study is appended.

During the past two months we have met with Chair Rob MacIsaac of the Greater Toronto Transportation Authority, key cabinet ministers and senior provincial staff to discuss the recommendations of this independently authored report. To date, we have received positive feedback from all that we have spoken with.

RCCAO recognizes the enormous costs of gridlock and supports the efforts of the GTTA to develop a plan and garner long-term funding. A clear direction in the budget concerning funding and the ability of the GTTA to implement the necessary financing tools are necessary for the organization to gain the leverage that is needed to move forward.

RCCAO agrees with the convincing arguments in the report that call for a new governance model and a comprehensive long-term, sustainable transportation plan to support, amongst other things, the Ontario Government's "Places to Grow" plan. The GTTA can play a meaningful role only if it controls the allocation of a substantial portion of both provincial and federal funding for GTA transportation.

Since we are in Barrie, it is worthwhile to comment on the GTA commuter behaviour study that was released yesterday on local Barrie area residents who are long-distance commuters along the Highway 400 corridor. The study sponsors are hoping to ease congestion through the promotion of telecommuting from a community or home office. Although changing gas prices are a regular topic of conversation for many commuters, the study found that the vast majority of the respondents underestimated their travel costs by half.

I used to know someone who commuted from the Simcoe area to York Mills and Don Mills area of North York in the 1990's but eventually took "early retirement" because of the daily grind. I think that there was some working from home but the job necessitated being onsite. So, what can be done for commuters such as these?

I understand that GO will be offering service from Barrie to Union Station later this year. This is the type of alternative that will allow car-dependent commuters to make a realistic change in travel mode. Indeed, in the future a rail corridor along Highway 400 has been put forward and would allow for the integration of stations and commuter parking facilities at major interchanges.

The report by Dr. Soberman et al. promotes the merit of conducting a thorough assessment of transportation needs and priorities, especially since funding for regional requirements is always going to be “limited.” The report recommends that this assessment include both road expansion and transit-based projects.

RCCAO is in alignment with the general principles enunciated in the Places to Grow legislation. PTG acknowledges that the Greater Golden Horseshoe is the economic engine of Canada. For this success to continue, growth must be planned for and managed in order to enhance our economic opportunities while protecting our environment for future generations. We are in full agreement that longer planning horizons of 30+ years – as opposed to short-term electoral cycles – are necessary in order to facilitate more strategic infrastructure investments related to future urban development.

There is an ongoing challenge related to the multi-governmental jurisdiction over infrastructure. To improve predictability for local infrastructure investment, there should be clear funding formulas that result in predictable allocations of funding for qualifying municipalities. In the U.S., the federal government has programs that are well-known to state and local legislators and can be applied to with greater assurance of success than here in Canada. The determination of priority projects is too easily influenced by politics and projects that have been worked on for years can too easily be derailed because of less than ideal federal-provincial relations or riding colours.

In the appendix, there is a January 2002 letter from former Ontario Finance Minister James Flaherty about continuing “to encourage the federal government to invest in Ontario urban transportation infrastructure.” We think that the current federal minister will appreciate the compelling arguments made by Ontario’s Finance Minister, Greg Sorbara. The Hon. Jim Flaherty addressed the Toronto Board of Trade on Monday night by speaking about Toronto’s role as an economic engine for the country. RCCAO hopes that this positive signal will translate into meaningful federal budgetary measures.

Transportation planning merit must prevail in the determination of priorities. In our various meetings, Dr. Soberman has provided numerous examples where unfortunately political intervention has trumped proper planning – for example, the decision in the 1990’s to initiate two subway lines at the same time and the subsequent decision to build the Sheppard line and cancel the Eglinton subway line (after a staggering \$80 million plus had been spent).

Now that global warming seems to be topping public opinion polls, we think that the environmental benefits of transportation projects – both road projects where traffic is kept moving and public transit projects – should be touted. In fact, in the above-mentioned GTA commuter behaviour study states that “the majority of respondents are concerned about their contribution to Greenhouse Gases and over a third are taking concrete steps to reduce the impact of commuting on the environment through various alternatives to the daily commute, such as carpooling, using public transportation or telecommuting.”

To ensure that vital transportation projects are built on time and cost-effectively, a more streamlined environmental assessment process is mandatory. We understand that steps are being taken to address the EA process on a sectoral basis and we are encouraged by this.

Water and Sewer Infrastructure

RCCAO is somewhat encouraged that there is a growing recognition of underground infrastructure such as water and sewage systems. In December 2006, the C.D. Howe Institute released a report on Financing Municipal Infrastructure Projects that was summed up neatly in a Globe and Mail editorial: “City dwellers have become accustomed to the inconvenience of burst water mains and potholes in roads. Such disrepair is the legacy of cutbacks of the 1990s, when all levels of government had to scrimp on infrastructure.” The report reinforces the accountability theme noted above, according to the editorial: “He [Harry Kitchen] takes a dim view of politicians who divert most capital spending into short-term renewal projects, even though longer-term projects often generate greater benefits, because the ribbon-cutting ceremonies coincide with their term of office.”

User charges are the way to go to facilitate greater conservation of resources. It is inconceivable that there even exist households that pay a flat rate for water. The report states the obvious: that meters are necessary to “provide customers with an incentive to consume less water while assuring them that they only pay for what they consume.” What is somewhat more startling is the statistic from the Water Strategy Expert Panel’s 2005 report that there was overbuilding of water treatment plant capacity by 44% because of provincial grant structures.

Full cost pricing and accounting of these assets has been hindered in many municipalities because the regulations accompanying the Sustainable Water and Sewage Systems Act have yet to be passed – and this legislation was given Royal Assent over four years ago. While capital announcements for this infrastructure are certainly welcome, proper tracking and billing is essential to promote conservation and environmental protection.

RCCAO’s next project will be to study water and sewer infrastructure and the financing of these critical assets in more detail. Our members are discouraged that proper maintenance has not been done on aging pipes – similarly, we would also like to see better coordination of underground infrastructure with road improvements. We will provide our recommendations in the near future.

Conclusion

While our commentary is not traditional in terms of an “ask list” we felt that there are a number of structural and process elements that need to be addressed. The Ministry of Public Infrastructure Renewal has been making the appropriate moves and we support the translation of their framework and infrastructure directives into positive and specific provincial budget announcements.

RCCAO therefore recommends that the Minister of Finance commit to a long-term funding program in the 2007 budget that will enable implementation of a regionally integrated, multi-modal transportation plan.

Thank you for the opportunity to comment during this pre-budget process. Phil or I would be happy to respond to any questions you may have.