

BUILDFORCE

MAGAZINE

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Net Zero Energy Homes Build Opportunities

Canada's residential construction industry is in the early stages of a revolutionary change.

Boom...or Bust?

Many provincial economies fluctuate due to the resource super cycle. Is Canada nearing the end of a cycle right now?

Changing the Productivity Culture

How is Alberta battling low productivity and falling capital effectiveness?

The Nuts and Bolts of Infrastructure Spending

UNDER CONSTRUCTION

By Paul Adair

During the lead-up to the last federal election, the current government ran on a platform of national infrastructure investment, insisting that a concentrated effort was needed in order to help pull the Canadian economy out of the doldrums. As part of this platform, the Liberals proposed a \$120 billion commitment over 10 years and this was confirmed in the March 2016 budget.

Stimulus packages are not new to this country. An infusion of infrastructure funding was a key component to counter the worldwide recession set off, in part, by the sudden crash of the U.S. housing market back in 2008/2009. The government at that time introduced \$47 billion over the 2009-2011 period to help keep the Canadian economy rolling and to mitigate the impact of the global recession. One of the requirements of the package was that municipalities needed to advance projects that could be completed within 18 months, but that were not

already on the books. This ensured the money would be spent right away.

There were positives to this infrastructure stimulus. Schools in remote locations were fixed up, Canadian hockey rinks across the country were updated, roads were resurfaced, and, most importantly, Canada was able to buffer itself against unemployment in the construction sector; particularly when compared to its G8 partners.

"It's true that it helped to keep the industry employed," says Andy Manahan, Executive Director at the Residential and Civil Construction Alliance. "But while there were some employment benefits coming from the previous stimulus program, it didn't really address the serious longer-term infrastructure needs of the country."

The latest approach to infrastructure stimulus seems to be taking a different approach in how projects will be chosen for funding.

Canadian municipalities are currently responsible for close to 60 per cent of the nation's core infrastructure, including the roads, bridges, transit

systems, schools, water and wastewater systems, and recreational facilities that make up the heart of any community. A recent Federation of Canadian Municipalities (FCM) Infrastructure Report Card found that one third of that infrastructure is currently rated in "fair" or "worse" condition and indicated that, if extensive repair and maintenance work is not carried out shortly, the price tag will only go higher as infrastructure continues to crumble.

"Every dollar spent now to repair and maintain that infrastructure saves 10 dollars in the long term by avoiding those expensive repairs down the road and also builds better neighbourhoods for our residents," says FCM President, Clark Somerville.

"To put it simply, making smart investments now will create quality sustainable jobs and improve our neighbourhoods while also giving us the freedom to prepare for the future."

Recognizing this, the 2016 budget has signified an unprecedented

investment in a number of priority items that aims to bolster the economy now and into the future, including investments in housing, transit and green infrastructure across the country.

The government has committed to strengthen Canada's core infrastructure by rolling out more than \$11 billion this year alone as part of its \$60 billion Phase 1 investment into new nation-building infrastructure. The budget has also introduced a new cost-sharing funding model, with the federal government increasing its share up to 50 per cent, recognizing the limited funding capacity that faces cash-strapped municipalities.

In early June, the mayors and representatives of Canada's largest cities met in Winnipeg, Manitoba to further consult with the federal government on the infrastructure deficit. Hon. Amarjeet Sohi, Minister of Infrastructure and Communities, was on hand to comment on the Liberal plan for the remaining \$48.1 billion of Phase 2 that will be announced in the 2017 budget. Minister Sohi also indicated that the intent of the government was to allow municipalities to determine their own infrastructure priorities, illustrating a more measured and cooperative approach to infrastructure investment.

"Strong municipal-federal partnership will now be crucial to ensuring the plans outlined in the budget result in real results for our communities and our residents," says Somerville. "In the long term, municipalities will be working hard with Ottawa to design an infrastructure program that provides our communities with funding certainty to move forward with strategic projects while delivering measurable benefits towards shared goals such as addressing climate change and strengthening the economy."

Smart and measured investment in local infrastructure projects will have a direct and positive effect on the lives of Canadians. It is estimated that for every \$1 billion spent on public infrastructure projects, approximately 18,000 quality jobs for skilled trades will be created.

"The more we invest in building strong and vibrant communities, the higher the quality of life we can provide for Canadians and their families, and the stronger the foundation we build for the Canadian economy now and for many years to come," says Somerville. "Each and every dollar spent on infrastructure investment is projected to generate \$1.64 in economic growth."

"We are pleased that infrastructure is at the forefront of the federal government's list of priorities," says Geoff

Wilkinson, Executive Director of the Ontario Road Builders' Association (ORBA). "But given that, by nature, stimulus is not a continuous, long-term funding system, once stimulus funding concludes, many businesses can be faced with an oversupply of labour, equipment and/or materials. This is one of the reasons why ORBA advocates for sustainable, long-term predictable government funding, which allows the industry to effectively manage its long-term business projections." |



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