RESIDENTIAL AND CIVIL CONSTRUCTION ALLIANCE OF ONTARIO

RCCAO

Constructing Ontario's Future

Download our reports and more at rccao.com

FIGURE 1: Investment and GDP Balance

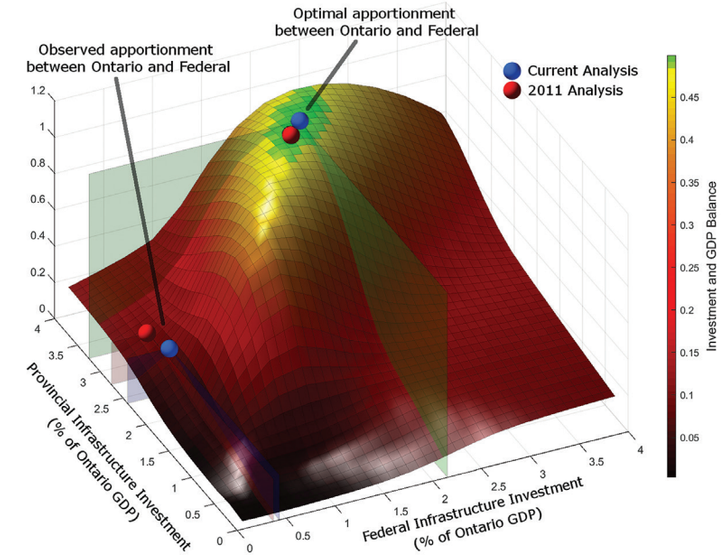


FIGURE 2: Growth in Ontario's Real GDP (2018-2068)

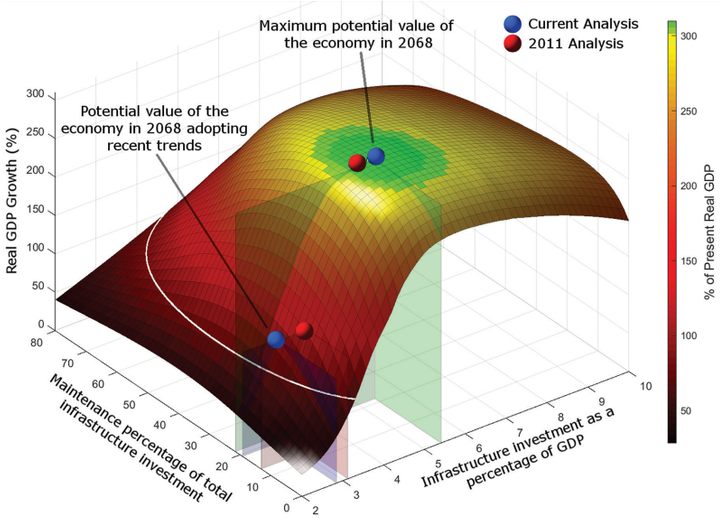
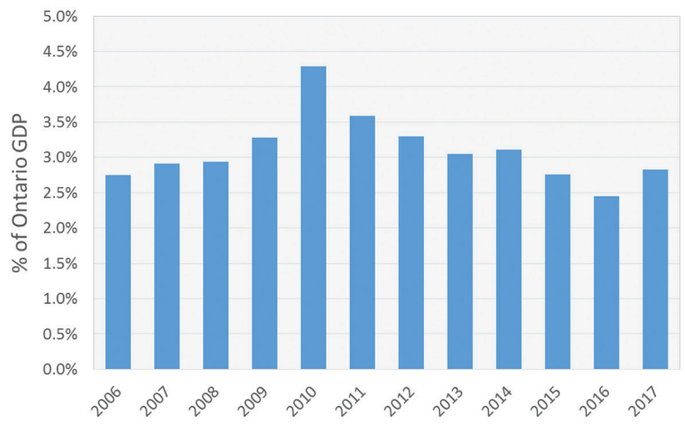


FIGURE 3: Infrastructure Investment in Ontario



Maximize prosperity by investing 5.4% of GDP on infrastructure: report

After the election of a new Ontario government, RCCAO determined that it would be an ideal time to update infrastructure modelling which analyzes recent federal and provincial contributions.

Infrastructure investments are essential to building a modern society. Transportation networks will improve our mobility and support trade, water systems will enhance our health and energy infrastructure must keep up with the needs of a fast-growing province.

A new research paper by the Canadian Centre for Economic Analysis (CANCEA) finds that, from the perspective of GDP percentages, infrastructure investment has not improved since earlier reports commissioned by RCCAO in 2011 and 2014. It was determined in 2011 that an optimal investment level for Ontario over the next 50 years would be 5.1% of GDP, with 22% of that investment being allocated to maintenance.

CANCEA concludes that due to underinvestment from both Ottawa and Queen's Park over the last few years, greater investments will be required to maximize long-term prosperity in Ontario. Now, 5.4% of GDP would have to be invested in infrastructure over the next 50 years to achieve the macroeconomic sweet spot (*see blue dot in Figure 1*).

For 2017, the study reveals that combined government contributions amounted to only 2.8% of GDP. The apportionment is as follows:

- Ottawa contributed too little (0.4%), especially relative to the tax revenue and other benefits it receives from infrastructure investments
- spending by Queen's Park, including local government spending, represents 2.4%
- the maintenance component at 19% is respectable (*see Figure 2*)

Despite an impressive $190-billion pledge in "Ontario's Long-Term Infrastructure Plan 2017" – a 13-year commitment beginning in 2014 – the annual allocations have been insufficient. Figure 3 shows that Ontario slipped below the 3% mark in 2015 and went below 2.5% in 2016.

Meanwhile, the federal Parliamentary Budget Officer found earlier this year that of the $14.4-billion phase 1 funding, only half of that was disbursed during the 2016-2018 fiscal period. Release of federal infrastructure funds has also been thwarted by the lengthy process for the two tiers to sign an agreement.

While RCCAO has been a strong advocate for evidence-based approaches to select projects that will result in a strong return on investment, more must be done to streamline evaluation and approval processes. This objective applies to both large, strategic projects and to smaller municipal works such as bridge rehabilitation and sewer line upgrades.

RCCAO looks forward to working with the new PC government in Ontario to deliver a robust pipeline of projects, as well as with the federal government on releasing its funds to Ontario in a timelier manner. Also, now that the Canada Infrastructure Bank has become operational, we are hopeful that revenue-generating projects will be identified and delivered on an urgent basis.

p: 905-760-7777
e: media@rccao.com

rccao.com

@_RCCAO