



Submission to the Standing Committee on Finance and Economic Affairs

Bill 36: Progress on the Plan to Build Act (Budget Measures) 2022

November 28, 2022

Ontario Road Builders' Association

On behalf of our Board of Directors and members, the Ontario Road Builders' Association (ORBA) and the Ontario Asphalt Pavement Council (OAPC) appreciates the opportunity to provide a written submission to accompany our remarks before the Standing Committee on Finance and Economic Affairs in support of Bill 36, *Progress on the Plan to Build Act (Budget Measures)*, 2022.

Formed in 1927, The Ontario Road Builders' Association is proud to represent the transportation infrastructure sector in Ontario. Our members build the majority of provincial and municipal roads, bridges and transportation infrastructure across the province. The road building sector directly and indirectly supports 56,000 workers and generates over \$5.5 billion in annual GDP.

We are strongly supportive of this government's transportation infrastructure program, and we want to thank Premier Ford and his government for the unprecedented levels of funding for transportation infrastructure contained in Bill 36 and as outlined in the Fall Economic Statement (FES). Most people take our transportation infrastructure for granted. They often don't think that almost everything moves by truck at some point. The foods we eat, the building materials we buy, the pharmaceuticals that our province needs all move by truck. More than \$785 million dollars of goods per day move on our highways, making the transportation system the backbone of our domestic and export-driven economy.

Essential infrastructure projects such as Highway 413 and the Bradford Bypass need to be built as part of a multi-modal strategy to keep Ontario moving. Investing in transportation infrastructure projects such as these will also significantly contribute to Ontario's economy through the creation of jobs during construction, connecting people to major employment areas and attracting more businesses to the region. Think of it this way, if you're stuck in gridlock you are contributing to GHG emissions from this congestion.

Investing in transportation infrastructure is especially important in light of GDP growth expected to slow next year. Every dollar invested in infrastructure generates an increase of up to \$6 in GDP over the long-term, and \$0.44 of every dollar invested is recovered in additional tax revenue (The Centre for Spatial Economics, 2017). We are also strongly encouraged with the government's ongoing efforts to build the necessary road infrastructure that will support the government's plans for the Ring of Fire.

Accordingly, we were pleased to note that Bill 36 and the Fall Economic Statement reaffirms almost \$87 billion for roads, bridges and transit over the next ten years, including approximately \$3 billion for highways and over \$8 billion for transit annually over the next three years. It's vitally important for our industry, and for Ontario, that this capital funding continues to flow. Because the transportation infrastructure construction season in the province tends to last only eight months in the south and a shorter period in northern Ontario, it's critically important that our members have a sense of the government's infrastructure spend prior to the next fiscal year. Capital funding indicators such as these are welcome as it helps contractors plan their operations and capital investment for the upcoming season during the winter months.

Municipal infrastructure projects continue to be of major importance to the operations of many of our members. When municipalities are in chronic deficit positions, capital transportation projects are often the first to be curtailed in favour of shoring-up operational deficiencies. Supports like the \$632 million joint federal/provincial assistance for municipal transit programs announced in this year's budget are very welcome. Further support from senior levels of government will be needed for the year ahead.

In order to help deliver on these important infrastructure projects, the conversations that ORBA continues to have with the government on risk reduction are critical. Our contractor members are ready to assume risk they can control and currently there's a confluence of factors outside of their control including materials inflation, labour and supply chain pressures. By way of example, the procurement of heavy equipment such as pavers and trucks continue to be subject to supply chain pressures. The global semiconductor shortage combined with manufacturing labour needs and other factors means that it may take over a year for orders to be fulfilled for certain items of equipment.

Regarding materials inflation, there is usually a gap of several weeks (or sometimes months in the case of municipal work) between bid submission, award, mobilization and shovels in the ground. Within that timeframe, the price for key materials may have changed. This is certainly something our members have seen over the past year and throughout the pandemic. Key materials indices serve as transparent mechanisms to ensure fairness for all parties and take some of the risk out of the process. There have been two indices in contracts for some time now that have worked well, the Ministry of Transportation fuel and Performance-Graded Asphalt Cement (PGAC) indices. ORBA recommends that the provincial government encourage municipal governments to also

follow this practice. We must ensure all ORBA members who bid provincial or municipal work are treated fairly.

ORBA is currently involved in exploratory discussions with the government on the creation of a steel index to add to the existing indices. An example in the fluctuation of steel prices can be seen in both the American Metal Market (AMM) Index and the Industrial Product Price Index (IPPI) produced by Statistics Canada. Both indices show an increase of over 60% when prices peaked in October 2021 from a January 2019 baseline. This increase then moderately declined through March 2022 before rising again near the aforementioned peak in June 2022. Our members are strongly of the view that a steel index would provide more certainty, help to reduce risk in contracts and ensure fairness for all parties.

In the context of the MTO fuel index, the proposed extension of the reduction in the provincial gas tax of 5.7 cents per litre contained in Schedules 2 and 3 of Bill 36 is also an important component to reducing the cost pressures of our members. There is no clearly defined component percentage weighting (labour, equipment, materials) on a Design-Bid-Build (DBB) project due to the specific requirements of each project (a paving job might be weighted towards materials while a bridge rehabilitation might be more heavily weighted towards labour). A very rough general estimate is up to a third for each component. The total fuel costs for a traditional DBB bid are usually in the range of up to 10%. The reduction in the provincial fuel tax is an important component to combatting the inflation that our industry and all Ontarians are experiencing.

With regard to labour, our members are pleased to see this government prioritize careers in the skilled trades. Construction, like many other industries, is in the midst of a generational shift. Investing in domestic supports such as the additional \$40 million funding increase for the Skills Development Fund and expanding the Dual Credit Program for high school students as announced in Bill 36 and the Fall Economic Statement are necessary. There are great careers in construction out there, and many mentorship opportunities available. Immigration is also a crucial imponent. ORBA is fully supportive of this government's efforts to have the Ontario Immigrant Nominee Program (OINP) numbers doubled to 18,000. In the heavy civil construction industry especially, we are in acute need of general labour. Further industry and government promotion of the non-apprenticeship skilled trades is necessary to help ensure the transportation infrastructure industry keeps up with the growing needs of Ontario.

On behalf of ORBA President Kevin Machej, CEO Michael McSweeney, the ORBA Board of Directors and our ORBA and OAPC members, we would like to thank you for the opportunity to comment, both in person and through this submission. Please do not hesitate to contact Andrew Hurd, Director, Policy and Stakeholder Relations at Andrew.hurd@orba.org with any questions or concerns.