

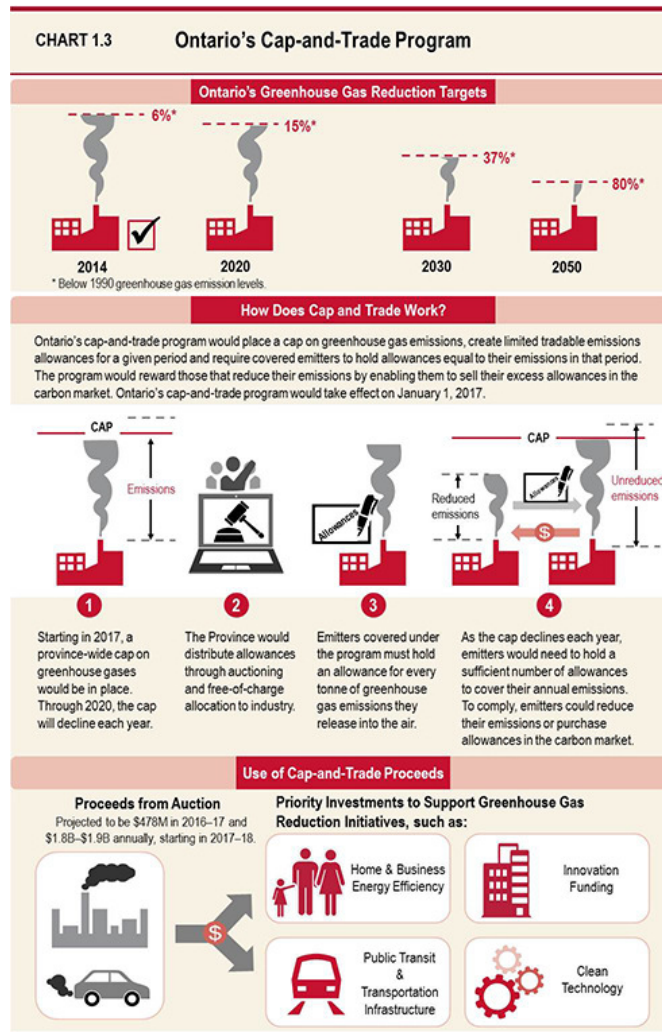
February 23/2016

## Provincial Budget Focuses on Cap and Trade and Infrastructure

The Liberal Government proposes to move quickly to a Cap and Trade program that will increase tax revenue by a projected \$1.9 billion in this fiscal year.

Most Ontario construction companies will not be directly covered under the program unless they operate quarries or processing facilities that emit 25,000 tons of green house gas emissions per year. However, as a result, users of these products including auto fuel and natural gas will experience increases in these resources.

Other jurisdictions introducing similar programs have offset the tax increase with reductions to other taxes so the burden would focus on the polluting industries. Ontario has not, electing to apply it to program spending and deficit reduction.



## Infrastructure Expenditures:

The 2016 Provincial Budget has significantly increased infrastructure commitment to \$16.24 billion from \$13.536 in 2015 with an increased focus on civil construction and mass transit projects. Major allocation includes transit jumping from \$3.3 to \$5.39 billion, hospitals from \$2.17 to \$2.88 billion and colleges and universities from \$385 to \$613 million that should result in a real increase in ICI investment in the next fiscal year.

**TABLE 3.24 2016–17 Infrastructure Expenditures  
(\$ Millions)**

Sector	Total Infrastructure Expenditures 2015–16 Interim <sup>1</sup>	2016–17 Plan: Investment in Capital Assets <sup>2</sup>	2016–17 Plan: Transfers and Other Infrastructure Expenditures <sup>3</sup>	2016–17 Plan: Total Infrastructure Expenditures <sup>4</sup>
Transportation - Transit	3,293	4,701	688	5,389
Transportation - Provincial Highways	2,206	2,108	43	2,150
Transportation - Other Transportation, Property and Planning	815	603	166	768
Health - Hospitals	2,174	2,621	263	2,884
Health - Other Health	258	60	248	308
Education	1,930	1,834	171	2,005
Postsecondary - Colleges and Other	385	608	4	613
Postsecondary - Universities	209	–	187	187
Social	373	8	305	312
Justice	198	58	197	255
Other Sectors <sup>5</sup>	1,101	436	934	1,369
<b>Total Infrastructure Expenditures</b>	<b>12,941</b>	<b>13,037</b>	<b>3,203</b>	<b>16,240</b>

<sup>1</sup>Includes provincial investment in capital assets of approximately \$8.5 billion.

<sup>2</sup>Includes \$183 million in interest capitalized during construction.

<sup>3</sup>Includes transfers to municipalities, universities and non-consolidated agencies.

<sup>4</sup>Includes third-party investments in hospitals, colleges and schools; and provisional federal contributions to provincial infrastructure investments.

<sup>5</sup>Includes government administration, natural resources, culture and tourism sectors.

Note: Numbers may not add due to rounding.

The government's investment proposals have been enhanced with a greater focus on green investment that includes wind and solar farms.

The investment in the ICI sector is needed as we have recently experienced three years of negative growth. The Budget papers project that the non-residential sector which includes heavy civil, will grow by 8.4% in 2015, 2% in 2016 and 5% in 2017. This is an encouraging projection for an industry that is having difficulties finding sustained growth. Despite significant and sustained levels of investment from the province, private investment in ICI construction continues to falter, particularly outside of the GTA.

Ontario's sustained infrastructure investment remains vital for the general contracting industry.

## Skilled Trades:

The Budget includes a proposal for a massive subsidy and in many cases elimination of university and college tuition fees for students from families with financial needs. It does not intend to apply this to private and industry training programs which could result in a shift in demand from industry apprentice programs to provincial colleges. It is also likely that increased demand will result in a need to expand post-secondary facilities.

**Ontario Retirement Pension Plan:**

In advance of the Budget, the government announced a one year delay in the implementation of the Ontario Retirement Pension Plan. The stated reason is to allow employers more time to prepare, but indications are that they are beginning to recognize the complexity and expenses of setting up a parallel system to the federally administered CPP. The agreement to work with the federal administrators indicates a greater priority to try and achieve the objectives by developing enhanced Ontario requirements under the CPP.

Ontario now proposes to begin implementation with large employers in 2018 and full implementation by 2020. Employers with defined benefit plans or defined contribution plans with employers and workers contribution at least 4% each of the base pay to the program will be exempted.

OGCA congratulates the Wynne government for their sustained long-term commitment to infrastructure investment as a pillar of economic development of Ontario.