

August 11, 2020



Amarjot Sandhu, MPP (Brampton West)
Chair
Standing Committee on Finance and
Economic Affairs
Room 1405, Whitney Block
Queen's Park
Toronto, ON M7A 1A2

Julia Douglas
Clerk

Re: Submission pertaining to the Study of the recommendations relating to the Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on the Infrastructure sector of the provincial economy

Dear Mr. Sandhu and Ms. Douglas,

Please accept this submission made on behalf of Consulting Engineers of Ontario (CEO) speaking to the impact of the COVID-19 pandemic on the Infrastructure sector of the Ontario economy. Included as part of this submission are number of recommendations for consideration by the standing committee.

Should you wish to discuss the contents of this submission or should you have any questions, please do not hesitate to contact me. Thank you for your time and attention.

Sincerely,

Bruce G. Matthews, P. Eng.
Chief Executive Officer



Consulting Engineers of Ontario (CEO) is pleased to provide this submission to the Standing Committee on Finance and Economic Affairs as it examines the impact of the COVID-19 pandemic on the Ontario economy, and more specifically the broader infrastructure sector which includes consulting engineering. We appreciate the Government of Ontario's steadfast and determined work throughout the course of this public health emergency and period of economic hardship. The collaborative, solutions-driven approach focusing on the collective efforts of all three levels of government coupled with open communication with industry stakeholders, such as ourselves, and citizens has paid dividends as Ontario is entering a more stable phase of this pandemic.

While it appears we have been able to navigate the initial shock of this predicament relatively well, we must remain committed and vigilant to containing and further minimizing the spread of this virus. We recognize and appreciate the considerable costs this pandemic has exacted on Ontario's public health system and our economy. As the province continues its efforts to lead us back to some semblance of economic and social normalcy, CEO remains committed to provide its support through the collective efforts of our member firms and as an active industry partner in the Construction and Design Alliance of Ontario.

Ontario's economic recovery needs to be directed to drive the greatest possible renewal. As a means to achieve this objective, one of the most important components of the province's economic recovery must be sustained commitments to essential infrastructure investment. These investments are important because of the substantial economic follow-on benefits that are realized from these initial outlays. The Conference Board of Canada, in its 2010 report, *Lessons from the Recession and Financial Crisis*, noted that of all the fiscal stimulus measures, those committed to infrastructure made the largest impact on economic growth, citing that every dollar spent on infrastructure increased GDP by as much as \$1.20. Further to this point, for our industry every dollar of engineering design work can result in as much as \$10 in construction services. The commitment to infrastructure renewal and expansion can provide a stable foundation on which to rebuild Ontario's long-term economic prospects for recovery as government, industry and communities plan their collective way forward seeking the most effective means of bolstering fundamental economic capacity while generating jobs.

It is from this perspective that that CEO believes it imperative that planned provincial and municipal works move forward and that CEO member firms and their clients work together to plan for and realize the gradual, measured and thoughtful remobilization of our economy. Vital to achieving this response will be the continued planning and design for the procurement and construction of future projects. It is important to recognize that this current crisis with all of its tragedies, challenges and setbacks is also presenting us a rare opportunity. The COVID-19 pandemic is serving to reveal to us the gaps that exist in our institutions, systems, processes and programs to which we were previously unaware. This current experience can be a great driver of change for Ontario's collective benefit, enabling us to work together to shape our future and to meet the needs of our communities and restore a strong economy.

CEO is pleased to be able to offer the following recommendations for consideration and discussion in support of the Government of Ontario's efforts to develop and deliver a comprehensive, multifaceted approach for our economic and social recovery:

Recommendations

1. The province should develop a detailed project forecast pipeline document that cuts across all ministries and municipalities. This would be similar to that of the Infrastructure Ontario P3 Market Forecast. This pipeline document would be informed by existing asset management plans to help facilitate preparation of market resources to maximize industry's response and to help expedite priority projects.

A well-reasoned, evidence-based and proportioned response to the pandemic is essential for successfully achieving a meaningful recovery; to do less would be to resign ourselves to a less effective result. The government's creation of a comprehensive project forecast resource document will help clarify many fundamental questions that will define our success. To be effective, it must be understood how much stimulus is needed, where should be it directed, when should it be directed and how should it be enabled. Providing clarity on how to answer these questions and how to take appropriate and effective action should be informed by municipal and provincial asset management plans. These plans represent the fabric of communities and government departments. They identify what projects are necessary, establishes a priority of need and fulfillment, allocates funding, a level of service to be provided and likely most importantly, set reasonable expectations for the parties involved, namely governments, industry and the public.

CEO strongly recommends that any project decisions emphasize the need to support small and rural communities, in addition to big cities. Often overlooked, these communities are in genuine need of public investments to protect, repair and improve essential local assets and services. It is critical they receive adequate support to maintain themselves so that they are able to play their part in fostering local economic development and job creation as Ontario works to regain its prosperity.

Traditionally, forecast documents of this type have focused on large capital works-type projects. The recommendation here is for the province to work with municipalities to identify a full range of projects, both capital assignments as well as state of good repair work. This can facilitate the prioritization of early works and can help stage projects in a way that meets their demands for efficient growth and prioritize projects based on need as projects in these plans have been previously vetted and planned for. Utilizing these plans to select projects for investment can help reduce investment timelines and enable expeditious and sound decision making using existing budget allocations rather than having to try and secure new stimulus support from already overburdened public coffers.

Work on such a resource should begin as quickly as possible. The current design and construction season while impacted by pandemic-related delays has been functioning relatively normally. In order for next spring and summer's construction season to positively contribute to Ontario's economic recovery, the fast approaching fall and winter design seasons must be equally busy. To ensure the province's economic recovery is sufficiently supported the government should develop comprehensive one year, three year and five year rolling targets, informed by the provincial budget process and supporting the existing provincial long-term infrastructure plan. The intent of this initiative is to provide a roadmap for recovery with guidance targets for government, industry and the public through which to gauge Ontario's progress.

2. Project planning and design activities for next year and future year's construction seasons must be an immediate priority. Planning and design play a vital role in preparing projects for permitting and construction. Commitment to planning and design activities now will help spur economic and social recovery.

Recognizing the importance of construction projects, the planning and design of future projects is equally crucial to Ontario's recovery. Schedules for future projects need to be smart, deliberate and respond to urgent needs rather than reacting to the impacts of the pandemic.

Proper planning of future assignments enables the prioritization of early works, such as essential engineering design work. These assignments must be completed months or even years in advance of any construction work being able to begin. By committing to identifying and communicating market sensitive information for these pre-construction services, as has been historically the case for construction projects, government can create labour market and broader industry certainty and security that will support stable job creation.

Given the breadth and depth of the impact of this crisis, a commitment to future projects to support the growth of our economy is vital. Where the primary driver of the crisis that was the 2009 great recession was the need for fiscal stimulus that was provided largely in the form of public infrastructure investment, for Ontario's design and construction sector it can be argued that at present the greatest need appears to be fiscal and economic certainty. The recession caused all levels of government to recognize the need for and commit to essential core infrastructure investment. These investments have been codified in asset management and long-term infrastructure plans and provided for in budgets. Responding to the COVID-19 pandemic is not an exercise in fiscal stimulus in the way that it was previously, rather, the greatest impact for the design and construction sector appears to be time. Paused projects appear certain to largely continue. Decisions have been made that they are necessary. The more important question is when these projects will resume. By committing to project planning and design projects as part of the overall infrastructure forecast pipeline, government can signal clear intentions for future commitments and provide businesses with the certainty and security they require to create jobs for growth. Additionally, by integrating project planning and design with construction forecast pipelines, governments can establish valuable inventories of "shovel worthy" projects; those that are identified, vetted, funded and being designed so that they can be quickly brought forward to market and deliver long-term social and economic benefit.

3. The province should work with consultants to develop project sequencing and schedules to enable accurate preparation and deliberate application and execution of market resources.

Future project certainty to provide essential core services will be important. This will instill a sense of market stability and help support efforts to establish a path back to normalcy and prosperity. Success will be dependent on the orderly execution of infrastructure programs and projects to be identified in the proposed project forecast pipeline. Project sequencing and scheduling plans informed by these forecast documents will enable the market and clients to work together, anticipating and identifying their respective needs to more efficiently and effectively complete projects.

What cannot be understated is the importance and disproportionately significant impact of detailed, unambiguous and accurate communication of government intentions. Ontario's design and construction

sector is a system with different actors providing services that must be properly considered, coordinated and resourced to support the successful design, execution, and completion of projects. Only with a clear understanding of the government's intended actions; in particular sectors with particular projects, on a particular timeline and an understanding of the degree of urgency can the market sufficiently prepare to meet these expectations all the while maximizing the value of its resources and the return on investment to the public.

4. Government and consultants must be mindful to coordinate project investment and approvals to ensure that design and construction sectors are operating to support each other's activities with the greatest amount of impact.

Clients and consultants will have to be mindful of how proposed projects will impact the immediate and adjacent markets. It is expected that the volume and intensity of public sector infrastructure design and construction projects will increase as markets continue to reopen and begin to stabilize. Consequently, it will be important for all parties to be aware of how projects can support or hinder other market activities.

To facilitate as much market flexibility as possible the government should continue its efforts to streamline and accelerate project approvals as quickly as prudently possible. The objective should be to mobilize as much committed public money back into the economy as the market is able to efficiently and effectively execute. While this will help support industry's desire to remobilize and create jobs, it will also enable owners with the ability to address immediate demands, maintain market capacity and effectively drive economic recovery.

Additionally, as the federal government is continuing to develop its broader infrastructure investment package, the province should continue to advocate for a simplified project application and funding process. Municipal asset plans should be used to inform Ontario's approach in its discussions with Ottawa to identify projects of greatest need across the province in both design and construction sectors. While appreciating the merit of Ottawa's desire to fund environmentally sustainable, resilient and net carbon neutral projects, there is also a real need for support for state of good repair projects, particularly in smaller and rural communities across the province. Clear and timely decisions on the full range of such projects will enable the greatest amount of support for the greatest number of people and communities.

5. Project agreements should provide for reasonable flexibility and accommodation to address situations where the effects of the COVID-19 pandemic might result in failure to perform or delay projects, including workforce and supply chain considerations.

Ontario's economic recovery can be soundly supported through fair and reasonable infrastructure project contracts. Current economic realities will undoubtedly encourage clients and proponents to develop and apply new tools to try and manage project risks. However, accommodation provisions will be needed for the foreseeable future by all parties to address the present and lingering effects of the pandemic. There is the potential that contractual penalties and damages may be unavoidable due to no fault of any of the parties to the project. As such, all parties must be willing to respond to such challenges with positive determination to reasonably resolve problems with the intention of completing projects.



CEO proposes that pandemic-driven contract provisions providing for accommodation of both time and compensation should be inserted into all construction and professional services contracts where the effects of COVID-19 might contribute to or result in failure to perform or delay, including workforce and supply chain considerations. These provisions could be realized through the *Emergency Management and Civil Protection Act* and their application limited to a period where the Ontario economy is impacted by a public health emergency of the size and scope of the current pandemic.

Much has been said about the substance and significance the impact the COVID-19 pandemic is having on our communities, province, country and indeed the world. The full extent and accounting of our pandemic experience will not be known for some time. What we do know as Ontarians and Canadians is that this crisis has called us together to do all that is possible to ensure that greatest amount of support can be provided to as many of those in need as possible. Unquestionably, the COVID-19 pandemic has reaped unprecedented damage to our economy, communities and the lives of Ontarians. Recognizing and respecting these challenges we are confronting we must also acknowledge that this adversity is presenting us with numerous opportunities to address long-standing problems and to make improvements to apparent gaps in current systems, processes, protocols and policies. It is how we choose to accept these opportunities and fill these gaps that will define Ontario's path forward and our potential for success as we rebuild.

Thank you for your consideration of these recommendations. It is our hope that through these proposals Consulting Engineers of Ontario and our industry peers can partner with the Government of Ontario to lead our province out of this public health crisis and back to a semblance of normalcy and prosperity.



BACKGROUNDER

For 45 years Consulting Engineers of Ontario (CEO), has been the non-profit advocacy association representing the business interests of engineering firms in the province. Founded in 1975 by the Ontario Chapter of the then Association of Consulting Engineers of Canada and the consulting engineers division of Professional Engineers Ontario, we have become a valuable advocate and resource for our member firms and represent approximately 150 companies employing nearly 22,000 people. Our industry generates a gross contribution to the Canadian economy of more than \$31 billion annually.

Our mission is to promote and advance the business interests of our member firms and the value of the engineering work they do. Our vision is for our member firms to prosper and be recognized for their influence and fundamental contributions to the social, environmental, and economic welfare of Ontario. We seek to achieve these objectives through values of: integrity; trust; collaboration; diversity; and respect.

CEO is a member organization of the Association of Consulting Engineering Companies | Canada and the International Federation for Consulting Engineers.

Where “engineering” is a profession, “consulting engineering” is a business that makes engineering viable and sustainable. CEO represents our member firms who provide a wide range of engineering services to government and private sector clients. Their professional staff are not just engineers, but also technicians, technologists, geoscientists, architects and planners. Through their service offerings, CEO member companies directly impact the economic, social and environmental aspects influencing Ontario’s quality of life. They work on transit and transportation systems, water and wastewater systems, bridges, hospitals, electrical systems, mechanical systems and much of the world that you see around you.

CEO’s objective is to be a trusted partner and solutions provider to government the policy maker, legislator and government the client.