Cement Association of Canada

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Cement Association of Canada Presentation to the Ontario Standing Committee on Finance and Economic Affairs
July 15, 2020

Good afternoon. My name is Michael McSweeney and I am the President and CEO of the Cement Association of Canada.

The Cement Association of Canada is the voice of Canada's cement industry. Our companies are vertically integrated, meaning they produce cement, concrete and aggregates and are located in every community across Ontario, large and small. We generate over $25 billion in economic activity/employing over 54,000 Ontarians in good paying jobs.

Thank you for your tireless efforts confronting and mitigating the devastating impacts of the COVID-19 pandemic for Ontarians. While it is critical for all of us to remain diligent to minimize the impact of any potential second wave, the decisive action and initiatives taken by the government have saved countless Ontarian's lives and helped ensure our healthcare system has had the capacity to serve those who needed it the most.

While we adjust to a 'new normal' in our everyday lives, we are encouraged by and support the gradual and measured reopening of the economy in Ontario.

Over the course of the past 3 months, our industry has experienced significant losses, 29% loss in April, 24 % loss in May and are awaiting numbers from June. When you hear that the construction industry has fared well during the shutdown, please take those comments with a grain of salt.

We recently released a declaration from the Canadian cement and concrete industry suggesting key elements that will help build a successful economic recovery in Canada.

The declaration puts the construction industry and municipalities at the heart of the COVID-19 pandemic recovery plan. Construction has a track record as the most reliable and fastest engine for economic recovery and can act as the foundation of strategic stimulus. It can drive the post-pandemic economy and is vital to stimulating medium and long-term economic growth and development.

Investments in urban and rural infrastructure, schools, roads, bridges, agriculture, railways, ports, wastewater facilities, and renewable energy will support economic growth by increasing private and public sector productivity and help future-proof Canada's economy.

Our declaration highlights the need for the federal government to absorb a greater share of the cost for infrastructure projects in communities across Canada and de-risk these projects for provinces and municipalities. As you have likely heard many times during your hearings, municipalities are experiencing significant losses of revenue that are putting pressure on both operating and capital budgets.

We believe that it is important that all levels of government continue to stimulate local economic activity by proceeding with infrastructure projects that will get construction businesses back in operation and employees back to work. More than ever, shovel-ready projects that invest in the future of the province, coupled with simplified procurement and tendering processes, will be of immediate advantage in stimulating local construction activity and important economic supply-chain channels.

But let me be clear, the window for the Ontario construction season is quickly closing. Don't think of just the GTA, but Northern and Eastern Ontario where construction stops 3 ½ months from now. If we don't get the shovels in the ground soon then we miss the opportunity to stimulate the economy in 2020. Let's also get a jump start on projects for 2021 and approve them now so they can break ground in early 2021.

As an industry, we also advocate for less red tape across government and a modernized infrastructure procurement system. Often decisions are made on a "first cost" basis, ignoring that a cheap sticker price often results in lower value and greater costs in the future. (For example, think LRT in Ottawa.) We champion a taxpayer value driven framework we call a "three-screen" lifecycle approach. This includes performing a full lifecycle cost assessment; a comprehensive carbon assessment to promote low cost green solutions; and an assessment of "best available solutions" to attract innovations and help make Ontario a leader in infrastructure-based solutions. As we look at ways to do things differently in the post-COVID era, an opportunity exists to obtain greater value from our infrastructure investments by taking this three-screen lifecycle approach.

For example, Portland-Limestone cement is a cement that reduces GHGs by 10% at no cost premium. It could avoid 300,000 tonnes of GHGs per year in Ontario. But our current procurement system continues to favour the status quo over innovation, missing win-win opportunities to return greater value to the taxpayer. We are advocating for PLC to be mandated on all publicly funded infrastructure investments.

Similarly, robust lifecycle assessment can help governments make more balanced decisions about sector specific investments and supports. More transparent and scientifically rigorous lifecycle assessment could help the province more accurately and equitably invest in industrial innovations toward meeting GHG and other priority objectives.

In closing, the Cement Association of Canada and our industry partners in ready mix, precast, pipe and masonry are here to work with the Ontario government to assist with the economic recovery of the province. We are committed to working with you and our municipal and federal partners to stimulate local economies and we look forward to contributing to plans to bring Ontario back to economic prosperity.

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BUILDING A SUCCESSFUL ECONOMIC RECOVERY IN CANADA

JOINT DECLARATION BY CEOs OF THE CANADIAN CEMENT AND CONCRETE INDUSTRY

As Canada emerges from the impact of the global Covid-19 pandemic that forced unprecedented health and safety measures, it will be important for the public and private sectors to work together to stimulate economic growth, jobs and confidence to quickly reverse the economic downturn and build a more resilient country.

At the heart of a successful economic recovery is a commitment to use construction activity and time-sensitive infrastructure spending as an important and visible stimulus that multiplies benefits through many value chains in every region of Canada.

Action must be quick, strategic, and targeted to instill public confidence and optimism.

- Cement and concrete are indispensable to Canada’s economy, as they supply critical value chains in the construction industry.

- Cement and concrete are produced locally, creating local jobs and using local resources throughout our industry’s supply chain, thus sustaining the livelihoods of thousands of workers and their families in nearly every community across the country.

- The cement and concrete industry is responsible for the employment of over 158,000 Canadians and annual economic activity in excess of $76 billion, while supporting small and medium size businesses throughout the supply chain.

- In 2019, the building materials and construction industries contributed $157 billion in economic activity representing 7.9% of Canada's overall GDP.

- In addition to supplying the world’s most durable and sustainable materials for building infrastructure and community assets, including transportation networks and trade corridors, our low-carbon cement and concrete solutions support green jobs and spur local innovation across multiple sectors.

- A competitive cement and concrete industry is key to developing a low-carbon and circular economy and low-carbon innovations in our sector are instrumental to achieving Canada’s net-zero by 2050 ambition.

- Our sector has a strong track record of developing and implementing health and safety protocols that protect our employees and the communities where they work.

Therefore, Canada's cement and concrete industry calls for the Government of Canada to:

1. **Put the construction sector at the core of the Covid-19 Economic Recovery Plan.** Construction has a track record as the most reliable and fastest engine for economic recovery and can act as the foundation of strategic stimulus for Canada's low-carbon transition. It can drive the post-pandemic economy and is vital to fortifying medium and long-term economic growth and development.

2. **Prioritize large-scale infrastructure projects to improve competitiveness and growth.** New investments in urban infrastructure, schools, roads, bridges, railways, ports, wastewater facilities, renewable energy, climate mitigation and climate resilience will support economic growth by increasing private and public sector productivity and help future-proof Canada's economy.

3. **De-risk provincial and municipal projects by ensuring federal dollars are first into projects.** Municipalities in particular are experiencing significant daily losses of revenue putting irreconcilable pressure on both operating and capital budgets. In this fiscal context, capital planning is virtually impossible. The federal government must de-risk 2020 capital expenditures by guaranteeing that federal money will support the upfront cost of projects.

4. **Boost investment in municipal State of Good Repair (SOGR) projects.** SOGR projects maintain critical community assets such as roads and bridges and can be operationalized and flow money quickly as they do not require the lengthy planning and approval processes that come with new capital projects. *Given the unprecedented fiscal challenges faced by municipalities (who, in addition, have few fiscal tools to manage unrecoverable losses) the federal government should provide an immediate additional investment through the existing Gas Tax Fund so that these municipal projects have "shovels in the ground and shovel-worthy projects" started this construction season (2020).*

5. **Optimize existing infrastructure programs that already have a large inventory of projects and approved funding.** All three levels of government have agreed to program parameters and protocols for a large number of infrastructure projects that are ready to go. *As above, the Federal Government should cover 100% of the municipal share of all approved projects that can be implemented in the 2020 construction season and completed by the end of the 2022 construction season.*

6. **Accelerate the transfer of historic levels of funding already committed under the *Investing in Canada Infrastructure Plan*.** Over $182 billion was committed by the federal government over a 10-year period. Collapsing this funding so that it is dispersed over a shorter two-year timeframe along with removing cost-sharing requirements for municipalities will help operationalize projects quickly and remove a major impediment to municipal projects under the current fiscal climate.

7. **Invest in climate action and the continued decarbonization of energy-intensive industries such as cement.** The Canadian cement industry is on a path to zero carbon by 2050. Our low-carbon

transition roadmap identifies the key technologies to reduce CO_2 emissions in cement manufacturing (e.g. low-carbon fuels, low-carbon blended cements and carbon capture utilization and storage) as well as down the value chain (e.g. material efficiency, recyclability, and mineralization of building materials). Canada's economic recovery plan offers a decisive opportunity to demand the use of low-carbon materials and to help underwrite investments in these breakthrough technologies to foster Canada's industrial competitiveness in a low-carbon global economy.

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