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Good Roads 2022 Budget Submission

The COVID-19 pandemic has acted as a complete disruptor over the past two years. While a slew of new issues emerged from this cataclysmic event, many others which had already existed were simply brought to the forefront. Yet, municipal fiscal sustainability continues to be the overarching issue causing sleepless nights for those in the sector. The following issues will be of importance to Good Roads members in the upcoming election.

Municipal Infrastructure Deficit

Good Roads recently calculated a municipal infrastructure deficit of $34.7 billion in the road, bridge, and culvert asset classes alone. Although the majority of infrastructure is owned at the municipal level, municipalities lack the requisite revenue tools needed to fund these assets. At the same time, municipalities continue to ameliorate the sophistication of their asset management plans as a result of O. Reg. 588/17: ASSET MANAGEMENT PLANNING FOR MUNICIPAL INFRASTRUCTURE.

Maintenance projects generate more economic activity than new capital infrastructure projects. They are open to more types of workers, spend less money on equipment and more on wages, and waste less time on plans and permits. Conversely, new capital projects require more funding for non-stimulative purposes such as buying property. With a $34 billion municipal infrastructure deficit in the road, bridge, and culvert asset classes alone, it may be more prudent for the Province to take a “fix-it-first” approach.

Recommendation: Good Roads recommends the province develop a fix-it-first infrastructure funding program to both stimulate the economy and shrink the municipal infrastructure deficit.

Safe Use of Public Assets: Adopting a Vision Zero Strategy

COVID-19 has highlighted the critical importance of supporting municipal communities across Ontario. Unfortunately, avoidable Ontario road fatalities and injuries continue to happen far too often. Other jurisdictions have demonstrated that when leaders apply a Vision Zero approach to their roadways such deaths and injuries can be dramatically reduced.

Vision Zero is a transportation planning approach that fundamentally re-imagines road safety with the ultimate objective of eliminating fatalities and serious injuries on roadways.

While municipalities such as Toronto, London, Kingston, Peel Region, and Durham Region have Vision Zero plans, a provincial strategy is needed.

Beyond the road safety benefits provided by Vision Zero, there is also a number of social benefits to be gained, especially as the government works to support COVID-19 efforts across the province. Eliminating accidents reduces the burden on the healthcare system and the untenable liability that municipalities face because of joint and several liability.

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Recommendation: Good Roads recommends the Ontario government develop a provincial Vision Zero strategy by December 31, 2022. We also encourage the Minister of Transportation to create a Task Force to advise on the development of the strategy.

Addressing Municipal Liability & Insurance Premiums

Skyrocketing insurance premiums are a worldwide phenomenon that continue to affect a multitude of sectors. This "hard" insurance market is driven by a variety of factors including climate change, cybersecurity, and more. However, when speaking specifically to the municipal sector, the rise in premiums is driven primarily by claims that have a 'long-tail' nature. It can be more than seven years from when an incident occurs until it even sees a courtroom. Meanwhile legal fees are amassed throughout that time. Many municipalities in Ontario are reporting increases to insurance costs of more than 20% per year.

Joint and several liability also continues to be an issue. While many have begun to acknowledge that reforming it will not be the panacea they hope for, courts seem to be increasingly placing the responsibility on municipalities rather than on negligent plaintiffs. Municipalities are often on the hook for extravagant financial payouts through lawsuits and settlements spurred by those who are injured on their roads – even if they bare very little responsibility for the incident. Furthermore, the damages being awarded continue to rise. Eight years ago, a $5 million settlement was a big deal. Now, settlements of $10-15 million are seen routinely.

Recommendation: That the province reform joint and several liability and explore the viability of a provincial fund for catastrophic losses to individuals that could limit municipal exposure to health costs. The pooling of insurance amongst municipalities to lower costs should also be considered.

Municipal Bridge Bundling Pilot Project

Good Roads has been advocating for the government to use a public-private partnership (P3) model for municipal bridges. In 2013, Good Roads, the Residential and Civil Construction Alliance of Ontario, and the Ontario Ministry of Transportation conducted the County of Wellington Bridge Study. This report looked at the feasibility of applying a P3 model to smaller projects by bundling them to enhance investment and maintenance of municipal bridge and culvert structures. The study conservatively estimated that this P3 model could achieve 13% to 20% in savings, in addition to the benefits of accelerated construction.

The COVID-19 pandemic has put significant budget pressures on all levels of government. That is why it is imperative that the province find creative and cost-effective approaches to infrastructure projects.

Recommendation: Good Roads recommends that the Ontario government launch a P3 asset bundling pilot program for municipal bridges and culverts by Spring 2023, to realize quicker construction as well as cost savings.