

Ontario must invest strategically in infrastructure to boost productivity

New research identifies the types of infrastructure with the highest returns for the province

Toronto, ON - Discussions regarding infrastructure investment as a driver of economic growth have returned to the forefront of policy debates. Both Ontario's provincial government and the federal government have proposed record commitments to infrastructure in their latest budgets. However, not all infrastructure assets enhance productivity. Fostering productivity growth is the single greatest challenge for both public and private sectors in Ontario. Simply investing in infrastructure will not necessarily provide productivity boosts, unless investments are strategic.

In *Better foundations: The returns on infrastructure investment in Ontario*, the Institute for Competitiveness & Prosperity identifies the types of infrastructure that can enhance the province's labour productivity. Moreover, our research reviewed the current state of asset allocation in Ontario to provide a general guideline for future resource allocation, which can help build a better foundation for economic growth.

Our results show that Ontario has the lowest stock of infrastructure per worker among selected Canadian provinces. What is even more concerning is that Ontario's composition of infrastructure assets is suboptimal. Relative to other provinces, Ontario's infrastructure portfolio has the largest share of productivity-reducing assets, at 16 cents per dollar of infrastructure. Ontario also ranked third last in the percentage of productivity-enhancing infrastructure, at only 28 cents per dollar of infrastructure.

GENERAL RECOMMENDATIONS	THE EFFECTS OF INFRASTRUCTURE ON LABOUR PRODUCTIVITY
	<ul style="list-style-type: none"> ▪ Prioritize projects according to productivity returns ▪ Adopt a streamlined process to select projects ▪ Implement user fees that reflect usage levels ▪ Facilitate private investment into productivity-enhancing infrastructure
Health care & social assistance buildings Marine engineering Waterworks engineering Communications engineering Oil & gas engineering	
NEUTRAL	
Educational buildings Electric power engineering Ground transportation engineering	
PRODUCTIVITY-REDUCING	
Other institutional buildings Sewage engineering Other engineering	

Yet, the funding commitments announced by all levels of government open the possibility for change and a renewed strategic focus for future investments. To reap the full benefits of the investments, each project needs to be thoroughly evaluated. The Institute believes that having the optimal apportionment in mind and identifying of the areas with the highest return on investment can provide an important, initial step toward boosting productivity in Ontario.

About the Institute: The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario's Task Force on Competitiveness, Productivity and Economic Progress. The Institute is supported by the Ontario Minister of Economic Development, Employment and Infrastructure.

Download the report: http://www.competeprosper.ca/work/working_papers/working_paper_22

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