

MEDIA RELEASE

Surety Association of Canada Welcomes Infrastructure Investments by Ontario & Federal Governments

April 25, 2019 – Mississauga, ON – The recent announcement of the 2019 Budget of Ontario’s Government sets out a five-year path to a balanced budget. This budget, the first for the Progressive Conservative Ford Government, was announced on April 11, 2019.

It is projected that Ontario’s economy is expected to continue to grow steadily. More recently, it was reported that Ontario’s real GDP grew by an estimated 2.2 per cent in 2018. It is anticipated that due to a less supportive external environment, in 2020 the GDP will be 1.6 per cent and by 2024 it will be 1.8 per cent.

One of the highlights of the budget included Ontario’s Capital Plan Outlook for planned investments in 2019-20 totaling \$14.7 billion and reflects the government’s commitment to invest about \$144 billion over the next 10 years. It was announced that beginning in 2019-20, the government’s plan reflects more sustainable levels of infrastructure investment. It also reflects a more realistic forecast of construction timelines for major projects planned or underway, in keeping with actual expenditure patterns.

On July 1, 2018, the first phase of the *Construction Act of Ontario* (Bill 142) was implemented which requires mandatory bonding on all public projects in the amount of \$500,000 or greater. Amendments that apply to existing provisions such as holdbacks, construction liens, trusts and bonding also took effect. This fall, the second phase of the *Construction Act* will be implemented which will result in appropriate support structures such as prompt payment, adjudication, and liens against municipalities.

On the federal level, the 2019 Budget doubles support for municipal infrastructure priorities through a Municipal Infrastructure Top-Up. This top-up will double the amount of money that municipalities get through a one-time transfer of \$2.2 billion through the federal Gas Tax Fund which will give much needed support for local priorities, including funds that will help address the short-term priorities of municipalities including repairs for roads and bridges, public transit, and building water treatment facilities.

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MEDIA RELEASE

“The commitments by both the Federal and Ontario governments will assist in stabilizing both the construction and surety markets and will help to position surety products as a necessary and dependable product to minimize risk going forward for construction and infrastructure projects,” stated Steven D. Ness, President of the Surety Association of Canada. “These investments are a much-needed boost for the surety industry, as our members are working hard to fix the problems created by the recent failures of three mega-contractors in 2018,” Last year, sureties incurred more than half a billion dollars in claims; more than any other year in its history. “The good news here is that the surety industry has stepped up to pay the outstanding bills and arrange for the completion of the abandoned projects. The swift and responsive action of our members helped to lessen the impact of what would otherwise have been a total calamity,” Ness further stated.

In 2017, the Surety Association of Canada partnered with The Canadian Centre for Economic Analysis (CANCEA) to conduct a study on the impact of construction surety bonds on the overall economy across the country. More than 150,000 bonded projects completed over the last 20 years by more than 10,000 construction firms were reviewed and the findings confirmed the value proposition of public sector bonding to taxpayers by way of strengthening the broader economy and bringing stability and certainty to the public construction process. The results of this study, including the economic impact of bonds in various provincial jurisdictions across Canada, can be accessed on the association’s website at www.suretycanada.com.

- 30 -

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MEDIA RELEASE

About the Surety Association of Canada:

The Surety Association of Canada (SAC) is the national trade advocacy association that represents the interests of the surety industry across Canada. Its members consist of primary surety firms, surety reinsurers, surety/insurance brokers, and other organizations that provide related and complementary services to the surety industry.

While the majority of the surety industry's premium revenue is derived from construction contract bonds, SAC also represents the interests of those organizations that focus on non-contract or commercial surety. SAC does not represent or advocate on behalf of the fidelity bond industry.

Since its formation in 1992, SAC has become a trusted resource for construction purchasers, design professionals, contractors, suppliers and other stakeholders in construction and business communities. SAC has developed its own bond forms in response to industry need and in consultation with the construction industry.

SAC and its members regularly meet with owners, contractors, other associations and related organizations to educate them about surety bonds and the suretyship process. SAC also monitors legislation across the country that will impact its members and works diligently to advance the surety cause with lawmakers and government officials.

More information about SAC can be accessed on-line here: www.suretycanada.com.