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The Regional Municipality of Durham
COUNCIL INFORMATION PACKAGE
January 15, 2021

Information Reports

2021-INFO-2	Commissioner of Social Services – re: Provincial Social Services Relief Fund (SSRF) Phase 2 Hold Back
2021-INFO-3	Commissioner of Finance – re: Economic Update – 2020 Summary and 2021 Expectations

Early Release Reports

There are no Early Release Reports

Staff Correspondence

There is no Staff Correspondence

Durham Municipalities Correspondence

There are no Durham Municipalities Correspondence

Other Municipalities Correspondence/Resolutions

There are no Other Municipalities Correspondence / Resolutions

Miscellaneous Correspondence

1. Gravel Watch Ontario – re: Ontario on the Rocks: A Report on the Economic, Social and Environmental Consequences of Resource Extraction

Advisory / Other Committee Minutes

There are no Advisory / Other Committee Minutes

Members of Council – Please advise the Regional Clerk at clerks@durham.ca, if you wish to pull an item from this CIP and include on the next regular agenda of the appropriate Standing Committee. Items will be added to the agenda if the Regional Clerk is advised by Wednesday noon the week prior to the meeting, otherwise the item will be included on the agenda for the next regularly scheduled meeting of the applicable Committee.

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The Regional Municipality of Durham
Information Report

From:	Commissioner of Social Services
Report:	#2021-INFO-2
Date:	January 15, 2021

Subject:

Provincial Social Services Relief Fund (SSRF) Phase 2 Hold Back

Recommendation:

Receive for information

Report:

1. Purpose

1.1 The purpose of this report is to provide an update on the Provincial Social Services Relief Fund (SSRF) 2020-2021.

2. Background

2.1 In order to respond to increased demands for services and supports as a result of COVID-19, the Province introduced the Social Services Relief Fund (SSRF) for 2020-2021.

2.2 The Region's initial SSRF allocation (Phase 1) was $2,832,100 and, based on input from the Durham Advisory Committee on Homelessness (DACH) was used to;

- Support physical distancing in our shelters by utilizing motel spaces and Camp Samac.
- Provide COVID-19 isolation and recovery space.
- Add new Housing First programs to house more unsheltered, high acuity homeless residents.
- Support two local hubs for unsheltered and chronically homeless residents to access supports and participate in surveillance testing for COVID-19.
- Redesign the Housing Stability Program to be more responsive to needs due to COVID-19.

2.3 On August 12, 2020 the Region received notification from the Ministry of Municipal Affairs and Housing (MMAH) that under the second phase of the Social Services Relief Fund (SSRF-Phase 2) the Region would be eligible to receive an additional planning allocation of $3,634,016 in 2020-2021.

a. Based on input from the Durham Advisory Committee on Homelessness (DACH), the Region's allocation was used to;

- Support the Beaverton Supportive Housing Project
- Expand the COVID-19 Isolation and Recovery Program and provide additional supports
- Expand available housing-focused shelter spaces
- Pilot a short-term youth rent supplement
- Expand street outreach efforts

3. Previous Reports and Decisions

3.1 Report #2020-INFO-103 - Beaverton Supportive Housing - Update.

4. Social Services Relief Fund (SSRF) Phase 2 Hold Back

4.1 The Ministry held back a portion of the total SSRF Phase 2 funds to ensure that additional support could be provided to communities that had the capacity to commit additional funding within the program timelines and that were disproportionately impacted by COVID-19.

4.2 On December 15, 2020 the Region received notification from the Ministry of Municipal Affairs and Housing (MMAH) that under the second phase of the SSRF the Region would be eligible to receive an additional allocation of $4,700,000 in 2020-2021 from the portion of funds that was previously held back.

4.3 Based on input from DACH, Regional staff submitted the required Investment Plan to MMAH, identifying the allocation of funding between service categories.

Total SSRF Phase 2 Hold Back Allocation for 2020-2021:	**$4,700,000**
SSRF Holdback Service Categories	**Total**
Capital Components	
New Facilities	2,200,000
Retrofits/Upgrades	880,000
Capital Total	$3,080,000
Operating Components	
Emergency Shelter Solutions	0
Homelessness Prevention	210,000
Homelessness Prevention-Rent Relief	1,070,000
Housing with Related Supports	0
Services and Supports	340,000
Operating Total	$1,620,000
Total	**$4,700,000**

4.4 The Region’s allocation of SSRF Phase 2 Hold Back is targeted to:

- Expand the rental arrears program for households impacted by COVID-19.
- Support programming for at-risk youth in priority neighbourhoods.
- Support community providers with financial assistance for PPE and enhanced cleaning practices.
- Support seniors to maintain access to health supports while social distancing.
- Support the purchase of three to four suitable homes to increase the number of supported, affordable housing spaces for Durham’s Coordinated Access System.
- Support the expansion and relocation of St. Vincent’s Kitchen.
- Retrofit Muslim Welfare Home to improve accessibility.
- Retrofit the Backdoor Mission and Ajax hubs to enhance service delivery.

5. Relationship to Strategic Plan

5.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. SSRF funding targeted to projects that increase the number of housing opportunities for vulnerable residents contributes to the Community Vitality goal by creating stronger neighbourhoods and vibrant and diverse communities.

b. SSRF funding targeted to projects that work to reduce homelessness in Durham Region contributes to the Social Investment goal by ensuring supports are available so that no one gets left behind.

6. Conclusion

6.1 The Region's allocation of SSRF Phase 2 Hold Back will help Durham respond to increased demands for services due to COVID-19 and support vulnerable people in our community.

6.2 The SSRF funds will also help to advance the goals of At Home in Durham, the Durham Housing Plan 2014-2024.

6.3 For additional information, contact: Alan Robins. Director, Housing Services, at 905-668-7711, extension 2500.

Respectfully submitted,

Original signed by

Stella Danos-Papaconstantinou
Commissioner of Social Services

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2304

The Regional Municipality of Durham
Information Report

From:	Commissioner of Finance
Report:	#2021-INFO-3
Date:	January 15, 2021

Subject:

Economic Update – 2020 Summary and 2021 Expectations

Recommendation:

Receive for information.

Report:

1. Purpose

1.1 The Regional Finance Department monitors economic conditions on an ongoing basis and prepares periodic summary reports to Regional Council. The economy is undergoing a time of significant uncertainty with economic conditions and policies changing on a daily basis. The following provides a summary of economic activity that occurred in 2020, along with economic expectations for 2021.

2. Previous Reports and Decisions

2.1 This report provides an update to Report #2020-INFO-112 – Economic Update – October and November 2020.

3. Economic Activity

3.1 As a result of the economic restrictions associated with the global pandemic, the Canadian economy is expected to have suffered a significant contraction in 2020. Although the size of the economic contraction will not be known until the official release of fourth quarter GDP data in early March, current estimates from Canada's major commercial banks suggest the economy contracted anywhere between 5.5 and 5.7 per cent in 2020. The Bank of Canada is also expecting a 5.5 per cent economic contraction in 2020, as outlined in its most recent Monetary Policy Report in October.

3.2 Although fourth quarter GDP data is not yet available, data for the third quarter of 2020 suggests an economic recovery is underway. According to Statistics

Canada, Canadian GDP grew 8.9 per cent in the third quarter of 2020. This follows an 11.3 per cent contraction in the second quarter of 2020 and a 1.9 per cent contraction in the first quarter. Despite the third quarter rise, real GDP remained 5.3 per cent below the fourth quarter of 2019.

3.3 While business closures, layoffs, and other economic restrictions led to a 13.6 per cent decline in household spending over the second quarter of 2020, the subsequent reopening of the economy led to a 13 per cent rise over the third quarter. As many services continue to be impacted by pandemic restrictions, consumer preferences are shifting toward the purchase of tangible goods. In the third quarter of 2020, household spending on goods was 4.8 per cent above fourth quarter 2019 levels. In contrast, household spending on services was down 12.4 per cent over the same time period.

3.4 The rise in household goods purchases have helped accelerate the recovery in retail sales. Retail sales for October were 4.5 per cent above the pre-pandemic levels of February, and 54.4 per cent above the pandemic lows of April. Despite the rise in overall retail sales, the recovery has been uneven across the sector. As consumers spend more time at home, leading to more household renovations, sales at building services and garden equipment dealers rose 25.8 per cent year over year in October, while furniture store sales rose 23.9 per cent. Significant reductions in mobility and social interactions have led gas stations and clothing stores to experience respective year-over-year sales declines of 16.3 and 13 per cent as of October.

3.5 While household consumption shows signs of recovery, business spending remains relatively weak. Although business investment in the third quarter of 2020 rose 16.2 per cent from the second quarter, investment remained 2.7 per cent below fourth quarter 2019 levels. As demand for residential real estate remains strong, business investment in residential structures rose 10.3 per cent above fourth quarter 2019 levels in the third quarter of 2020. However, investment in non-residential structures came in 14.7 per cent below fourth quarter 2019 levels as most businesses pivot toward remote work arrangements. Business investment in machinery and equipment, for the third quarter of 2020, also came in 11.7 per cent below fourth quarter 2019 levels, suggesting production remains well below pre-pandemic levels.

3.6 As business investment remained weak throughout 2020, the number of active businesses across the country has been on the decline. According to estimates from Statistics Canada, the number of active businesses across Canada fell 7.4 per cent between January and September. In Ontario, the number of active businesses fell 7.8 per cent, from January to September, while active businesses in the Oshawa Census Metropolitan Area (CMA) declined 8.4 per cent. In Ontario, businesses in the arts, entertainment, and recreation industry have experienced the greatest decline, with active businesses falling 15.4 per cent from January to September.

3.7 The initial collapse in consumer spending and business investment during the onset of the pandemic, followed by a gradual recovery through the latter part of 2020, has kept inflation below the Bank of Canada's two per cent target. Prior to the pandemic in February, inflation (as measured by the Consumer Price Index (CPI)) was sitting at 2.2 per cent. In March, as pandemic restrictions came into force, inflation had fallen to 0.9 per cent due to a significant contraction in consumer spending. Consumer prices continued to fall in subsequent months as Canada experienced deflation of -0.2 and -0.4 per cent in April and May. As restrictions began to ease and consumers returned to more normalized spending habits through the remainder of the year, inflation slowly began to rise with CPI inflation sitting at one per cent as of November 2020.

3.8 The restrictions associated with the pandemic also had a significant impact on international trade. Travel restrictions in Canada began in March and, by April, the dollar value of Canadian merchandise exports had fallen 34.5 per cent compared with pre-pandemic February levels. Although Canadian merchandise exports have gradually recovered with the easing of restrictions, the value of Canadian merchandise exports remained 3.1 per cent below February levels in November.

3.9 Imports of merchandise into Canada also suffered a significant decline in the early days of the pandemic, with the value of imports falling 29 per cent below February levels by May. Merchandise imports have recovered faster than exports as the value of merchandise imports rose 0.1 per cent above February levels in November. The sharp rise in imports relative to exports has pushed Canada's merchandise trade deficit with the rest of the world to $3.3 billion as of November.

4. Labour Market

4.1 As a result of the global pandemic, the Canadian labour market suffered a significant contraction in 2020. During the first wave of the pandemic, the Canadian labour market lost over three million jobs. Since April, the number of employed persons had been steadily rising on a monthly basis, before contracting by another 62,000 in December. In December, the number of people employed across Canada was down 3.3 per cent from February.

4.2 The Ontario labour market followed a similar path in 2020, with employment falling by over 1.1 million between March and May. As lockdown restrictions were eased in May, the labour market began to recover with positive monthly employment gains between May and November. December saw another employment contraction resulting from renewed economic restrictions in certain pandemic hotspots. The Ontario labour market ended the year with employment levels down 3.5 per cent from pre-pandemic February levels.

4.3 Employment declines were also experienced across the Oshawa CMA with employment levels in June, as measured by the three-month moving average, down over 10 per cent from February. The Oshawa CMA labour market appears to have experienced a more substantial recovery as employment levels in

December were one per cent above pre-pandemic February levels. It is important to note that employment figures at the CMA level are expressed as a three-month moving average due to the low number of households sampled for the survey.

4.4 Although the overall labour market appears to have fully recovered at the local level, the recovery has been uneven across industries. In December of 2020, Oshawa CMA employment in the finance, insurance, and real estate industry was up 42.9 per cent compared to February. The construction industry and public administration also saw employment gains of 16.8 and 26 per cent respectively. Industries that rely on social interactions experienced substantial employment declines, with employment in the culture and recreation industry falling 31.1 per cent in December relative to February. Employment in the accommodation and food service industry was also 30.6 per cent lower in December compared to February.

4.5 Table 1 compares key labour market data for Canada, Ontario, and the Oshawa CMA. The table shows various labour market indicators at different times throughout 2020: February (pre-pandemic), May (pandemic peak) and December (end of the year). The data for the Oshawa CMA is expressed as a three-month moving average.

Table 1: Labour Market Indicators for February, May and December 2020

	Canada			Ontario			Oshawa CMA		
	February	**May**	**December**	**February**	**May**	**December**	**February**	**May**	**December**
Employment (x1,000)	19,189.4	16,474.5	18,553.0	7,555.1	6,398.6	7,291.9	217.6	201.9	219.9
Unemployment (x1,000)	1,133.8	2,619.2	1,755.8	436.4	1,003.4	762.5	16.3	22.6	18.6
Unemployment rate (%)	5.6	13.7	8.6	5.5	13.6	9.5	7.0	10.1	7.8
Participation rate (%)	65.5	61.4	64.9	65.1	60.1	65.0	66.9	64.0	67.4
Employment rate (%)	61.6	52.9	59.3	61.6	52.0	58.9	62.3	57.5	62.2

5. Housing Market

5.1 The year 2020 was an unprecedented year for the Canadian housing market due to COVID-19. Despite the steep COVID-induced decline in demand during the spring, home sales climbed to record levels throughout the summer and fall of 2020. A strong economic rebound in many sectors of the economy, ultra-low borrowing costs and the enhanced use of technology for virtual open houses and showings fueled and sustained the housing market recovery.

5.2 According to the Toronto Regional Real Estate Board (TRREB), housing resale highlights from 2020 include:

- 95,151 sales were reported – up by 8.4 per cent compared to 2019. This included a record result for the month of December, with 7,180 sales – a year-over-year increase of 64.5 per cent.
- Year-over-year sales growth was strongest in the Greater Toronto Area (GTA) regions surrounding Toronto, particularly for single-family home types.
- The average selling price reached a new record of $929,699 – up by 13.5 per cent compared to 2019. This included an average price of $932,222 in December – a year-over-year increase of 11.2 per cent. The strongest average price growth was experienced for single-family home types in the suburban regions of the GTA.
- After a pronounced dip in market activity between mid-March and the end of May, market conditions improved dramatically in the second half of the year, with multiple consecutive months of record sales and average selling prices.

5.3 According to TRREB, there was a dichotomy between the single-family market segments and the condominium apartment segment. The supply of single-family homes remained constrained resulting in strong competition between buyers and double-digit price increases. In contrast, growth in condo listings far-outstripped growth in sales. Increased choice for condo buyers ultimately led to more bargaining power and a year-over-year dip in average condo selling prices during the last few months of the year.

5.4 In Durham Region, home sales were up 49.2 per cent year-over-year for the month of December, rising from 518 units (December 2019) to 773 units (December 2020). Average home prices were up 21.5 per cent year-over-year for the month of December, rising from $640,269 (December 2019) to $778,037 (December 2020). The strong demand during the spring market pushed a fast recovery for Durham's housing market. Record residential sales were reported on a monthly basis.

5.5 For the year 2020, the Region recorded 12,917 residential transactions, representing a 21 per cent increase from the previous year. Compared to the past ten years, 2020 saw the highest number of sales, surpassing the previous record set in 2016, when 12,654 transactions were recorded. Despite the unprecedented year and uncertainty surrounding the economy, Durham's housing market recovered quickly following the initial lockdown announcement and market slowdown in April.

6. Financial Markets and Interest Rates

6.1 Equity markets fared well in 2020. The Nasdaq was the big winner, up more than 40 per cent on the year. Many of the heavyweight names in the technology-led index directly or indirectly benefited from the pandemic. The 5-year annualized return on the index is 19 per cent and the 10-year return is 17 per cent.

6.2 Consumer discretionary stocks in the U.S also thrived in 2020 given the pandemic and associated shift in spending toward durable goods. The sector is next in line behind technology for growth on the S&P 500, pushing returns in excess of 30 per cent (more than twice the gain for the broad index). Communications services similarly benefited.

6.3 Financial institutions took a heavy beating in 2020, with direct exposure to the small business and commercial real estate sectors. The group is currently down 21 per cent in the U.S. but has managed to scrape back most of the early year losses in Canada, down just 1.8 per cent on the year. A steeper yield curve has helped later in the year and could provide further relief in 2021.

6.4 Energy equities were the biggest drag in 2020, with West Texas Intermediate (WTI) oil prices turning negative at one point. By the end of 2020, the energy sector was still down 36 per cent in the U.S and 29 per cent in Canada, despite a solid rally in WTI, which is currently above $50 at the time of publication.

6.5 Gains on the Toronto Stock Exchange (TSX) were challenged, primarily resulting from its composition - that is, a heavy weight in banks and energy, but light representation from technology. The index was up just 2.8 per cent in 2020, lagging well behind the 14.8 per cent increase in the S&P 500. However, Canadian stocks still sat above harder-hit indices in France and the U.K. The latter are also heavy in financials, but also had the overhang of a tougher virus backdrop and ongoing Brexit drama.

6.6 In terms of monetary policy and interest rates, the Bank of Canada will remain steadfast as 2021 unfolds, maintaining policy biases to increase accommodation further if necessary, particularly during the first third of the year, as surging COVID-19 cases and consequent increases in business and social restrictions weigh on economic growth.

6.7 On December 9, the Bank of Canada repeated that it would “hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved”, which doesn’t happen in its projections “until into 2023”. In addition, the Bank indicated that it would “continue its quantitative easing program (at least $4 billion per week) until the recovery is well underway”, adjusting the program as required “to help bring inflation back to target on a sustainable basis”. Several Canadian financial institutions are projecting that the U.S Federal Reserve and the Bank of Canada won’t tighten interest rates until early 2024.

7. Global Economy

7.1 Pandemic related restrictions were implemented in nearly every country across the globe, leading to a significant global economic contraction in 2020. According to the most recent International Monetary Fund (IMF) World Economic Outlook, the global economy is expected to contract 4.4 per cent in 2020. The IMF is projecting China as the only major economy in the world to experience growth in 2020, with GDP estimated to expand 1.9 per cent.

7.2 The United States economy experienced a 31.4 per cent annualized GDP contraction in the second quarter of 2020, before rebounding with a 33.1 per cent annualized expansion in the third quarter. Consumer spending plunged during the early days of the pandemic, falling 6.5 per cent in March and 12.3 per cent in April, but has since recovered with November spending up 18.6 per cent compared to April.

7.3 The U.S labour market also suffered a significant contraction in 2020. The U.S labour market has been slower to recover than in Canada, with December employment down 6.5 per cent from February. However, the U.S unemployment rate sits at 6.7 per cent as of December, which is almost two percentage points lower than Canada.

7.4 Following an 11.4 per cent quarterly GDP contraction in the second quarter of 2020, the European Union (EU) experienced a 12.1 per cent quarterly expansion in the third quarter. Despite the rise, third quarter GDP remained 3.9 per cent below the third quarter of 2019. Spain’s economy has been one of the hardest hit within the EU, with third quarter GDP down 8.7 per cent compared to the third quarter of 2019.

7.5 The United Kingdom has followed a similar path to the European Union with GDP expanding by a record 16 per cent in the third quarter of 2020, following a record 19.8 per cent contraction over the second quarter. Despite the third quarter rise, the economy remained 8.6 per cent below fourth quarter 2019 levels.

8. 2021 Economic Outlook

8.1 Rising COVID-19 infection rates are weighing on short-term economic conditions, but the arrival of vaccines is boosting the Canadian economic outlook for 2021.

8.2 According to TD Economics, the pandemic picture has shifted significantly in recent weeks, with the Prairie provinces now enduring the worst outbreak per capita. Meanwhile, provinces hit hard in the first wave — such as British Columbia, Ontario and Quebec — are seeing infection numbers rise again. Provinces grappling with outbreaks face restrictions that subdue economic activity, and even regions with looser restrictions are seeing declining consumer and business confidence.

8.3 Continued fiscal stimulus should also help support the economic recovery. According to the Federal Government Fall Economic Statement 2020, the Government of Canada will invest between $70 billion and $100 billion over the next three years to jumpstart the recovery.

8.4 Canada's economy rebounded through the summer, but rising COVID-19 cases—both at home and south of the border—will slow the pace of recovery. Many businesses in Canada face dim prospects over the first half of 2021. Amid a weakening economic backdrop, businesses are expected to lean further on enhanced and extended fiscal supports, such as the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy. These programs will help cushion the shock for businesses through the second round of lockdowns. But the unfortunate reality is that despite these supports, some businesses will struggle to make it through the winter. Beyond that, the outlook is significantly brighter, provided that effective vaccines can be produced and distributed as planned.

8.5 A successful rollout of vaccines will encourage households to spend savings amassed during the pandemic. Household balance sheets are in relatively good shape, in part due to government support and travel bans that have significantly cut spending on foreign travel.

8.6 The federal and provincial governments are pledging continued support to businesses and households. The pandemic will drive up public debt to record levels, putting a strain on government finances and public spending once the crisis is past.

8.7 According to the Conference Board of Canada, real GDP is forecast to post growth of 5.3 per cent in 2021 and 3.5 per cent in 2022. This follows the deepest recession in modern times. However, the 2021 economic outlook for Ontario remains subject to a high degree of uncertainty as additional economic restrictions and measures were put in place in January.

9. New Restrictions for Ontario in 2021

9.1 On January 12, 2021, the Province of Ontario announced new restrictions to help mitigate the spread of COVID-19. The province declared its second state of emergency and instituted a stay-at-home order for the entire province, which took effect on January 14.

9.2 In addition to the emergency declaration and stay-at-home order, the province is instituting several new public health measures. These new orders include certain measures that will impact economic activity, including:

- All non-essential retail stores, including hardware stores, alcohol retailers, and those offering curbside pickup or delivery, must open no earlier than 7 a.m. and close no later than 8 p.m.; and
- Non-essential construction is further restricted, including below-grade construction, exempting surveying.

9.3 The province will support key economic sectors during the emergency declaration, such as manufacturing, warehousing, supply chain and food processing, by providing up to 300,000 COVID-19 tests per week.

9.4 The provincial government will also be increasing enforcement of public health measures in businesses and workplaces. Ontario will use a data driven approach to focus inspections on workplaces with reported COVID-19 outbreaks, manufacturing businesses, warehouses, distribution centres, food processing operations, construction projects and publicly accessible workplaces deemed essential, such as grocery stores.

9.5 During these new emergency orders, childcare centres will remain open. The Chief Medical Officer of Health will advise the Ministry of Education, by January 20, on which public health units can return to in-person schooling. Certain Regions currently experiencing high COVID case counts, such as Toronto and Peel, will maintain online learning until February 10.

9.6 The provincial government has also stated that options are being explored to place a temporary moratorium on residential evictions. Further details will be announced in the coming days.

10. Relationship to Strategic Plan

10.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. Economic Prosperity

11. Conclusions

11.1 The economy is experiencing increasing volatility with uncertainty around the spread of COVID-19. Economic conditions are changing on a daily basis as policy makers continue to navigate this uncharted territory.

11.2 The Regional Finance Department will continue to monitor economic conditions and provide timely updates as required.

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance and Treasurer

Corporate Services Department Legislative Services Division	
Date & Time Received:	January 08, 2021 3:12 pm
Original To:	CIP
Copies To:	
Take Appropriate Action ✔	File
Notes/Comments:	

To: Mayor and Council

From: Gravel Watch Ontario

Re: Ontario on the Rocks

Date: January 8, 2021

Gravel Watch is a province-wide umbrella group representing communities and individuals across the province. Like you, we keep a watchful eye on aggregate-related operations, practices, and policy development throughout Ontario. In addition to that vigilance, we offer many resources to our members and the public, providing education via our website at www.gravelwatch.org and in monthly meetings. Further, we advocate on behalf of members, communities, the environment, and all Ontarians, for better management of aggregate resources. We believe that these can be of use to you and to members of your community.

When, in 2020, we sent a previous communication, we were pleased that we subsequently heard from community groups. That means that you shared the document, and we shared your burden of providing information around aggregate issue to the community. If we lightened your load by doing so, that is a good thing. We know what difficult times you are steering your municipality through. Thank you for that work.

The attached document, *Ontario on the Rocks: A Report on the Economic, Social and Environmental Consequences of Resource Extraction*, is a summary of some current policy directions as well as our recommendations which have been previously offered to the Ministry of Natural Resources and Forestry. It suggests the following:

- Stimulating the Ontario economy's emerging industries as well as reducing costs to the municipalities and the province through resource recovery and other measures;

- Prioritizing local industry, and local jobs through provincial procurement practices;
- Quantifying, evaluating, and conserving aggregate resources;
- Valuing agriculture and water resources above the narrow, short-term interests of one industry
- Showing respect to individuals, community groups and municipalities in a way that recognizes not only your attachment but your detailed knowledge of the particularities of your location.

Gravel Watch Ontario invites you to consider and discuss the attached document, and to share it actively with members of your community who have an interest in moving toward better management of aggregate resources. Additionally, Gravel Watch is open to discussions with you and them via our email connection i.e., info@gravelwatch.org, our website at www.gravelwatch.org, or by calling 289-270-7535.

Sincerely,

Bryan Smith, President

Gravel Watch Ontario

Introduction

Ontario is the economic engine of Canada in the several sectors – manufacturing, agriculture and resource extraction. The first two of these depend on Ontario's rich resources. This paper will focus on resource extraction knowing that while it seems to support economic activity and therefore communities, it actually undermines the environment necessary to sustain communities and agriculture. Further, this paper will discuss the relationships between the extraction industry and the province at community, municipal and provincial levels. These relationships are complex and costly for the province. As a wise woman said "Gravel is complicated". While mining and forestry are also resource extraction industries, and while there are parallels and analogies between those and the extraction of aggregate, it is on the rock, sand, clay and gravel that this paper will focus.

Extraction creates an economic boost?

It is commonly believed that gravel pits or quarries create jobs. Community members see trucks coming and going. Municipalities see some portion of the levy coming to their limited coffers. Machine operators, blasters and other labour are required, and often live in nearby communities. This appearance of economic activity is deceptive: When the economy is active, there is demand for aggregate for a variety of uses; the extraction does not create the economic conditions but rather is a response to economic conditions. So, stimulus to extraction either by incentive measures or lightening some part of the industry's responsibilities is not a positive economic boost. The aggregate industry allows pits and quarries to remain dormant for decades between contracts without major economic impact on the surrounding communities, though with consequences for the environment only somewhat less than those during active periods.

Aggregate extraction has multiple costs for the province. The bulk of gravel, stone and sand are bought by municipalities and the Province. Roads and bridges consume them in their raw and processed states; the bills land on the desks of government officials and are paid by the public. The industry in Ontario is largely weighted to multi-national corporations who are the players in the large projects which governments undertake. When a local municipality is contracting for materials and/or road work, they often find that the local company is owned by a larger one. This structure of the industry means that money flows out of Ontario to corporate head offices. That net outflow reduces the economic value of Ontario's economy. It would be better if Ontario's road construction were sourcing its materials from local producers which would result in much higher direct and indirect investments in Ontario than that to be anticipated from international bankers.

Extraction takes away!

By its very nature, extraction takes valued resources from the environment. Where this results in greater value in a full-cost equation, this could be deemed a good thing. In Ontario, Canada's most southerly province, agriculture is the largest industry. Because food travels from food to table, it engenders multiple additional jobs and processes along the way. Farmers work at planting and sowing; food processors work at capturing the flavour and nutrition; warehousing and transportation move the goods to local, national and international markets and consumers. Contrary to the extraction of cash from Ontario's economy, this results in an inflow to farm owners and their employees.

The vital contribution of agriculture to the province relies on a precious resource – topsoil. Fertile lands in Southern Ontario are valued around $30 000 an acre. Given that 6 inches of topsoil is largely what generates this price, we can see its extraordinary monetary value. When extraction occurs, however, topsoil ceases to be available for agriculture. Worse, when it is shaped into berms alongside pits and quarries in a vain attempt to hide their view from passersby and to prevent waves of dust from sailing over, topsoil's microbial life ends, so soil fertility is damaged. That loss to agricultural potential is costly. In light of the extraction industry's negative impact on agricultural lands already under significant pressure, and in light of the presence of vast numbers of dormant and relatively inactive pits, there is an argument to be made for the closure of the pit license application process in Ontario. Under that balanced approach, agricultural and recreational land uses would produce economic growth while inefficient and under-utilized operations would be rationalized.

Extraction costs in municipal and provincial road work.

The costs of extraction industries are largely borne by the public. This is a highly inefficient way to do business because it means that cost accounting is done by multiple public agencies at several levels. Municipalities' budgets are strained by the load which extraction puts on roads. Each new pit adds the potential for new stretches of road to require upgrading and resurfacing of haul routes. This extracts vital funds from road maintenance budgets that are needed to respond to winter conditions, for regular repairs or to replace surfaces which were paved with substandard materials in the same way as the Province experienced significantly short lifespans. This cost was created when contaminated aggregate was substituted for quality.

Currently, when aggregate moves longer distances, it travels on provincial highways. They are routinely pummelled by overloaded trucks. The Ministry of Transport inspections have revealed 10 to 20% excess loads on gravel trucks, representing an undue strain on roads, as well as a significant safety hazard. The costs of accidents on public highways are immeasurable when they take lives. Even when they do not, they spread costs among fire departments, local and provincial police forces, road repairs and reconstruction when surfaces are damaged or guard rails ploughed aside by trucks, and the high costs of hospitalization and rehabilitation of the injured. When gravel trucks crash, everything stops! – The vital movement of goods from producer to consumer, of just-in-time parts to manufacturers, of business people to their time-sensitive meetings or of workers to their punch-clock jobs are all affected adversely by the poor safety record of aggregate hauling. The aggregate industry needs to reconsider the how, the when and the why of hauling rock and smaller products around the province.

Aggregate does not need to move by truck. Were it to move by longer distances train, for instance, the infrastructure would be private and under federal jurisdiction reducing costs and liability for the Province. There are existing examples, particularly in Alberta, of efficient use of railways to move aggregate. Further, shipping aggregate by boat is practised in Ontario and could relieve the strain on current roads and/or the need to add lanes or highways.

Aggregate Costs the Public's Health

While aggregate production is supposed to be an "interim use", its duration is such that it has significant health and other impacts on neighbouring communities. Dust produced during extraction routinely leaves the pit areas and spread to "sensitive receptors", i.e., people. Included in that dust output is fine particulate matter, of under 2.5 microns in size, which a series of research papers including those by Public Health – Ontario, reveal to damage lungs, hearts and brains. That direct impact is complicated by yet another factor of quarrying, the haulage by diesel trucks whose negative impacts include the emission of fine particulate especially when idling at entry gates, loading or exiting and when accelerating from pits onto roads. While fine particulate matter is invisible to the human eye, the belching black fumes are seen by our eyes, sensed by our noses and suffered by our lungs. The presence of dust and fine particulate matter in the air engenders massive costs in health for members of the public and the public system offering it, as well as shortening productive life spans. Human conditions are economic conditions.

Public health is affected too when water quality or quantity from private, community or municipal wells is undermined by dewatering of pits, by below-the-water-table extraction, by the loss of filtration values of overburdens and gravel deposits, the diminution of headwater recharge zones as well as effects on surface water. When pits are dewatered, water tables fall, necessitating deeper drilling of wells. This costs well-owners. When pits open ground water to the sky, run-off, deposition from the air and other vectors can add contaminants to drinking water, necessitating more expensive filtration and treatment. When deep sand and gravel layers are removed above the aquifer, the rapid infiltration of water means that the filtering process supplied naturally by the sand and gravel as in moraines, drumlins and alvars is lost. Emerging science provided by toxicologist Poh-Gek Forkert and others points to the need for filtration and entrapment of a number of toxins used currently, or historically and now banned. When source water recharge zones become smooth surfaces like roads, pits, parking areas in quarries, water sources dry up. There is unanimous agreement in the Legislature, for instance that “The Paris Galt Moraine is an essential water recharge area in Ontario’s largest watershed – the Grand River Watershed – purifying water at no cost to the citizens” and that “This is about conserving what nature can do for free, so I cannot think of a more fiscally responsible solution. Failure to act could put the government on the hook for hundreds of millions in water infrastructure”. This applies broadly across the province as does the necessity to sustain wetlands. Wetland loss has resulted in significant reductions in groundwater and surface water which effects domestic and industrial uses of water, and therefore has significant economic impact. If any of these processes allows chemical and/or biological contaminants to reach drinking water, the tragic results, like those at Walkerton, are immediate, early or painfully slow deaths. Dollars and cents don’t make sense of these losses.

Extraction is No Limit

There is no indication that Ontario needs any more gravel, rock, sand or clay. Not a single road, bridge or highway has come to a halt because of a lack of supply. Not a single skyscraper or foundation has been prevented because no aggregate was available. In fact, as regards roads, every indication is that Ontario uses too much aggregate in building them, the highest in Canada despite harsher climates elsewhere, and higher than adjacent American states where traffic volumes match or exceed ours. Is the province over-consuming and paying the price. Innovations in building materials see more and glass and steel in use, vastly diminishing the quantities of aggregate needed directly or indirectly. The resurgence of wood in exterior and interior construction suggests that this renewable resource might be more efficient as well as sustainable than a finite supply of aggregate. There seems little risk that potters will run out of mud.

Fortunately, Ontario’s ‘finite’ supply is close to infinite. The report prepared for the MNRF by Larry Jensen, an accredited geologist, analyzes licences across the province and predicts from them a 100 to 200 year supply with existing licenses.

From that you would deduce that Ontario needs no more licenses to be issued, freeing up MNRF staff to effectively monitor and enforce policies in an equitable and consistent manner and even to assist operators in the efficient workings of their equipment. (One inspector on a noise complaint realized that the screeching which produced calls to the office was a bearing that would cost thousands to replace and would result in long down-time. He recommended lubricants. Neighbours and employees had a more pleasant experience after lubrication and the gravel pit saw economic benefit). Additionally, MNRF staff could also be deployed to determine the actual amount of virgin aggregate available when accurate data has not been available beyond the licence amounts. To those efficiencies could be added a drive to rehabilitate the approximately 7 000 abandoned pits across the province, restoring them to productive uses, agricultural, recreational or other, and getting the province back on track with the work to move other depleted sites out of post-extractive neglect and into the hands of willing landowners. There is no crisis in supply; there wasn't in the 1970 despite industry crying "Wolf" and there won't be in the foreseeable future.

Ontario is further supplied with stone or crushed product when reprocessing occurs. This increases Ontario's supply and the horizon for adequate availability. It also moves from an intense consumption of energy to less one. While traffic is slowed by a machine which removes, melts and reapplies asphalt to roads, it is not brought to a stop as when truckloads of damaged road surfacing materials are hauled away, and new cement or asphalt is laid. Recycled aggregate has home uses as well, crushed brick pathways for example, when houses give way to higher and/or more modern structures. This industrial process also creates jobs in the proximity of the new project while saving provincial costs associated with haulage as previously described. Aggregate can be part of a circular economy, and by doing so can be perceived as both for the people who benefit from the jobs and the speed of transition from wreckage to new construction and for the people who live in rural areas which are spared destruction.

Three Heads are Better than One

The value of public consultations is that they bring together stakeholders from multiple sectors: those who work in the field, such as industry and ministry; those who live beside the field, such as individuals and community groups; and, scientists, such as academics whose research provides emerging knowledge which can result in current and future savings and accredited qualified consultants. Regarding the science community, we might have hoped that emerging science were more carefully listened too before the release of heavy liquid metals into the waters around the Reed Paper Mills, and might want to harken to the warnings that qualified consultants working with the best current knowledge and ethical interests would apply to operations and rehabilitation of aggregate extraction sites. It is fitting that aggregate policy be for the people who live with it, pay for it, and require it (and especially robust worker safety and residential health standards) for their continued benefit. Since industry players are in competition with each other, we should not have been surprised to see the collapse of the CornerStone Standards, nor the conflict among small versus large (and therefore international) companies evident in multiple cases. That leaves ministry staff to carry out the policy role, which means that some proponent-driven processes which the industry currently claims to struggle with could become the work of the Ministry of Natural Resources who would manage the processes, provide expertise, consult with the local, broader and scientific community, and to regulate in an equitable fashion extraction from approved sites in the interests of the people. Democracy is for the people and continues to engage people in decisions.

Recommendations

1. Adopt a balanced approach where agriculture and public investment outweigh the narrow interests of one small segment of resource extraction.
2. Stimulate the Ontario economy through a broad variety of investments in emerging industries, resource recovery, cost efficiencies, and broad consultations with stakeholders.
3. Encourage the location of industry in Ontario through procurement practices that prioritize local ownership and head offices.
4. Quantify resources; determine quality; and conserve the irreplaceable.
5. Show respect for the people as individuals and in community groups in a way that recognizes the profound attachment of rural people to productive land.

Ontario on the Rocks

A Report on the Economic, Social and Environmental Consequences of Resource Extraction

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