FALL/WINTER 2014-15 / Vol 44. No 3

The Land Economist

PROFESSIONAL JOURNAL

ASSOCIATION OF ONTARIO LAND ECONOMISTS

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PHOTO: Guilhem Vellut, from Strategic Regional Research 'A Region in Transition'

Transit is a key issue for the GTA and for many other regions in Canada and around the world. It was the focus of Real Estate Research Corp co-founder Iain Dobson's speech after dinner at the Association's recent 2014 Annual General Meeting. See page 6 for details,

NEWS BRIEFS

FLOATING SOLAR FARMS

The United Kingdom's first floating solar installation went in this year on a Berkshire farm's reservoir, The Guardian reported this fall. The 800-panel, 200-kw array is expected to start producing a return on its £250,000 investment within six years.

PHOTO: Floating Solar UK Ltd.

Farm owner Mark Bennett has established Floating Solar UK Ltd. to distribute French firm Ciel et Terre's panels-on-pontoons technology to agricultural, reservoir and utility companies.

In areas where "working" water bodies are available and land is very costly or not available at all, floating solar panels may be the next "in" thing — at small scale and large. For example, last November Renewable Energy World reported on a 1.18 MW, 4,500 panel system that had become operational in Okegawa, Japan that summer. The city has shifted reservoir maintenance responsibility to the project developers, and charges them a usage fee, plus property taxes. Clean Technica.com recently reported that India's National Hydro Power Corp had announced plans for a 50 MW floating solar project in July, "but we have not heard much from them since then". A 2.9 MW project in Nishihira, Japan was announced in September, Clean Technica said, but may not hold onto the "World's Largest" title for long, as a 7.5 MW system has been announced by the government of Kawajima-machi, to begin construction next year.

Proponents claim the systems can improve energy performance of solar panels because they are cooled by the water below, and may decrease evaporation loss.

In Canada, researchers at MIRARCO—Mining Innovation and Laurentian University, Sudbury, have developed thin-film flexible floating PV panels which they say could float on the surface of tailings ponds, and "have game-changing implications for the mining industry", especially in remote areas like the Ring of Fire.

MID-RISE WOOD: JAN 1, 2015

In September, Ontario filed O Reg 191/14, to amend the Building Code to allow wood frame construction to six storeys for office, residential and mixed use buildings, starting January 1. The change has been welcomed by builders and developers. They expect it to increase the variety of living choices, realize cost savings for new home construction and homebuyers, and represent a major step in achieving planned intensification goals of the Provincial Policy Statement (PPS) and the Growth Plan for the Greater Golden Horseshoe. Other expected benefits include job creation, increased tax base for municipalities and decreased carbon footprint. Details were discussed in The Land Economist Vol 44, No 1.

BROWNIE AWARDS

The Canadian Urban Institute presented the 15th Annual Brownie Awards at the end of October. **Best Overall Project** and **People's Choice** awards both went to Kitchener projects: The Breithaupt Block and The Tannery District. Other Ontario projects honoured include: **Reprogram** (policy): Horizon Utility Infill Development Incentive in Hamilton; **Remediate** (technology): Greenwich Mohawk Site's In Situ Steam-Enhanced Remediaton in Brantford; **Reinvest** (financial): Guelph Market Commons; **Rebuild** (Building Scale): Bridgepoint Active Healthcare in Toronto, and **Renew** (Neighbourhood Scale): Sault Ste Marie Waterfront Revitalization. See *www.canurb.org/publications-archives/cui-news.html*

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NEW CONTRACT DUTY OF "HONEST PERFORMANCE"

Several law firms have commented on the Supreme Court of Canada's Nov 13 decision in *Bhasin v Hrynew.* That case involved a company that provided education saving plan investments and one of its retail dealers - and whether the former has a responsibility to be honest about its intent to terminate the contract. The court has held that there is both the traditional general organizing principle of good faith contractual performance and a new duty of 'honest performance' of the contract. In other words, the parties must not lie or knowingly mislead each other. While the judge said this does not imply a duty of disclosure, and would be clear and easy to apply, lawyers say it leaves a number of questions open. See Borden Ladner Gervais at *www.blg.com/en/NewsAnd Publications/Documents/Publication_ 3895.pdf* and /orBennett Jones at *http://blog.bennettjones.com/2014/11/13/new-good-faith-duty-honesty-contractual-performance-recognized-supreme-court-canada/#page=1*

POINT/ COUNTER POINT

A key goal of this Association is to increase members' understanding of issues by sharing insights from different specialties. So, we have designed a new kind of article / report in this issue of The Land Economist Journal. It starts with a brief description of an interesting new report — and then presents commentary from several experts in different fields.

Focus on:

The Economist Magazine Special Report

The World Economy

The Economist's Special Report is a fascinating read, bringing together information from different sectors and how they are being or may be affected by the new technologies of computerization, the internet and robotics. The Report consists of seven related articles on productivity, income disparity (the privileged few), housing, emerging economies, new opportunities and easing the transition. Brief digests of those articles are found at right — stripped of illustrations, data and analysis. We recommend members read the October 4, 2014 original, either in hard copy or online at **www.economist.com/printedition/2014-10-04**

THIRD GREAT WAVE (Digest)

The Third Great Wave: Why the third wave of industrial revolution may prove far more divisive than the first two

"In the past new technologies have usually raised wages by boosting productivity," the article says, with real gains spread across classes and income levels. Exponential growth in computing power has opened up opportunities considered impossible only a few short years ago. But one study says 47% of jobs in America could be automated within a decade or so. So far "the digital revolution is opening up a great divide between a skilled and wealthy few and the rest of society."

Technology Isn't Working: The digital revolution has yet to fulfill its promise of higher productivity and better jobs

Not only have industrialized economies been going through slump or stagnation recently, the digital technology and globalization are keeping wages flat for the mass of workers. Productivity growth has slowed instead of increasing. Some experts claim the innovation isn't powerful enough to offset demographic change, inequality and sovereign indebtedness. Others say the real impacts are only just beginning. Today, the glut of cheap labour displaced by technology "has given firms little incentive to make productivity-boosting investments".

To Those That Have Shall Be Given: Labour is steadily losing out to capital

Development of the car displaced horses, breeders and carriage makers, but gave drivers greater productivity. Development of driverless cars funnels efficiency gains away from the human operator. Over the past 30 years, the share of income going to labour has fallen steadily the world over. There is a rise in income from wealth and capital. Low-income service jobs are growing, but the middle class is being hollowed out. Technology has created a reservoir of less-skilled labour, who are forced into competition against each other and machines, for low wages.

Home Economics: Sky-high house prices in the most desirable cities are holding back growth and jobs

In the 20th century, many manufacturers left cities for cheaper land and labour on the outskirts. ICT industries have helped stagnating cities turn around, with demand for both office space and housing. But cities with restrictive zoning and other regulations now have skyrocketing housing costs. Many people can't afford to live there. And instead of the new high-paying careers creating new service jobs, more of the gains are being captured by landlords and existing homeowners.

Arrested Development: The development-through-industrialisation model in emerging economies is on its way out

Attracting manufacturing industries for low-cost production has been good for many emerging economies. They offered unskilled workers better wages than agriculture, and enabled progress to more sophisticated economic activity with widespread trickle-down impacts. However, that model is breaking down as technology allows manufacturers to "unbundle" supply chains and locate in ever-lower wage locations. Physical assembly itself is representing less and less of the "value added" calculation. Automation is also decimating the number of potential jobs. Meanwhile high-skilled ICT and design workers can become rich online. This poses huge challenges for developing countries.

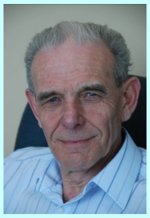
Silver Lining: How the digital revolution can help some of the workers it displaces

Technology offers access to online markets with enormous potential and probably more new opportunities than anyone can currently imagine. Informal and formal online education offers some big advantages and lower costs, especially for people in emerging economies. However, so far, the opportunities are not offsetting job losses.

Means and Ends: How governments can deal with the labour imbalance

Thanks to earlier technological change, many countries are vastly richer than they were 300 years ago. Humans are flexible, but their governments may not be. Past advances have required power shifts to ensure gains were broadly shared. Regulations and policy on such things as taxation, occupational licencing, building/development, education, and income supports must be re-examined.

Commentary follows, starting on Page 4



KEITH HOBCRAFT
President
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The Economist magazine's report on the Third Wave of the Industrial Revolution is an interesting insight into current economic and business trends.

As Journal Chair, I found it raised some major points but also gave rise to a few speculations over possible social changes over the ensuing decades. Hopefully my comments here will prompt other members to write more knowledgeable and in-depth commentary for Point / Counter Point articles in future issues of the Journal.

I must admit that I had never heard of the Second Industrial Revolution.

We all know about the First. Its taskmasters – such as Mr. Gradgrind of Charles Dickens' *Hard Times* fame – were notorious for grinding the faces of the poor into the ground. Even so, as some historians have noted, rural workers "voted with their feet" and flocked to the new industries. Essentially it was the modern world's first experience of super rich employers and comparatively poorly paid but freelance workers.

Prior to that the western world was run pretty much by the gentry – some very rich, some not – but all with a very local entourage of servants, security force, tenant farmers, peasants and assorted layabouts.

I looked up the Second Industrial Revolution on Wikipedia (naturally) and discovered that it was roughly the period 1880 to 1960, starting with the mass production of steel instead of iron. This could be described as the golden period of the Industrial Revolution – we all got relatively rich. Many new skills were required and job training courses were routinely subsidised by companies in order to ensure a future supply of skilled workers. Western workers at last benefitted from the surge in productivity which resulted from industrial activity, and started to enjoy the 'American Dream' with good wages, benefits and security. The wage gap was much less than 100 years before.

As the Economist points out, the Third Wave is causing multiple disruptions and is not just an extension of the first two. The Economist offered six different aspects. After reading them it occurred to me that the third wave is somewhat like the first wave, but in reverse.

The income gap is back with a vengeance, with a new group of super-rich employers and increasingly poorer workers.

In the first and second wave workers were sought after to man the new machines. In the third wave they are being laid off. The often resulting McJobs look increasingly like the economic equivalent of back to the farm.

Unfortunately the farm has gone too.

DEBORAH SAUCIER
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The Economist's special report on the world economy[1] describes 'the third great wave of invention and economic disruption'. The Economist describes many aspects of these hypothetical disruptions, although the report focuses primarily on how information and communication technology has and will change the world, and where opportunity exists to mitigate disruption.

Two aspects of this report, however, deserve comment.

The first is the assertion that online courses will reduce the cost of post-secondary education. The utility of online courses rests on a number of assumptions, including: that fewer professors can teach more students in an online format; that courses can be repeated with little modification or effort; and that this is an effective method for teaching.

What is not acknowledged is the cost of developing and maintaining rapidly changing information and communications infrastructure, as well as the challenges in obtaining copyright for digital materials, especially for materials that may be accessed across numerous national borders. Further, it is clear from early attempts at online courses that these courses are often more labour intensive for both students and professors, regardless of how many times offered. Online courses also require a degree of discipline that many students need to develop over time. A common refrain from students is that they desire more contact with their instructors rather than less; they associate contact with better learning outcomes and with greater course satisfaction.

This is not to say that the status quo – the face-to-face lecture that hasn't changed since Socrates – should remain the dominant model. Faculty and students are migrating to the concept of 'hybrid' lectures (a combination of online resources and face-to-face experiences) because of their ability to foster the outcomes that students and professors want: critical thinking, creativity, planning and team-work; namely, the same factors in high demand by employers.

Which brings me to my second comment. As the economy continues to recover from the Great Recession, employers will increasingly desire employees with greater literacy, numeracy and technological competence than ever before. By providing the skills that the world economy needs, universities will become even more critical players in the world economy. Research and scholarly work conducted at the University will question how these technologies are affecting society, while at the meantime driving further technological development.

Thus, with or without online courses, universities are well poised to partner with young people, to develop key skills and foster creativity, regardless of the academic discipline studied.

YOUSAF SHAH
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The "Home Economics" section of *The Economist*'s October 2014 Special Report on The World Economy attributes the recent return to the city (from the suburbs) to the technology revolution of the past two decades. It identifies rapidly rising housing costs (and the corresponding economic inequalities that arise with it) as the challenge cities must overcome in order to realize the full potential of this resurgence. The author blames rising housing costs on restrictive regulations that prevent the construction of an adequate supply of housing to meet demand. The article concludes that economic gains that could go towards job creation are instead going to landlords and financial institutions by way of rents and mortgage debt.

Although it makes intuitive sense on the surface, there are numerous other factors for the rising housing prices beyond "a dense thicket of zoning regulations." The shortage of an adequate supply of housing is generally less a matter of building regulations and more a result of a shortage of an adequate supply of land. Most of the major central cities in Europe and North America are built out and have very little remaining supply of land for more housing. What is left is priced at a rate that reflects its scarcity. "Freewheeling Houston" can approve 51,000 new dwellings because Houston has an adequate supply of suburban greenfield land upon which to accommodate units at reasonable prices. Central cities such as San Francisco, New York and London, on the other hand, can only accommodate growth on a limited supply of land that is often constrained by the capacity of existing infrastructure. The demand for housing in these larger cities is mostly met through high-rise housing which can take longer to build and is more expensive to construct.

At the middle of the spectrum of housing costs around the world is Toronto. The Toronto Region housing market is the most heavily regulated in North America. If the author of this paper is correct, then zoning regulations and policies such as the *Growth Plan* would be largely responsible for rapidly rising housing prices in the Greater Toronto Area. We know that it does play a part, but that the drivers of housing prices in the GTA are a lot more complex than that.

In relation to the overall outlook of the housing market in regards to the technology revolution, the housing market will likely adjust itself over time with demographic shifts in major urban centres. As aging boomers move out of large family units and seek apartments they will free up land supply for younger families seeking additional housing options.

In conclusion, while reforming regulatory practices may have an effect on the supply, and thereby the price, of housing in major cities, it is unlikely to have as significant an effect as the complex economics of real estate markets.

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Wondering about the seemingly high price of housing in our urban areas? Wonder no longer. Its the ICT revolution! The Economist magazine's recent Special Report surveys several aspects of the evolving role of technology in the economy and likens the information, communications and technology (ICT) revolution to the two other great, society-changing industrial revolutions in the 18th and 19th centuries.

Lessons from the past: new technology comes along (such as the power loom, electric lighting, the automobile, etc.,) and displaces legions of labour that manage to move and reskill, and ultimately results in an improved standard of living across the whole community. But the ICT "revolution" is now 30 years old or so, and most economists can't pinpoint any discernible effect on productivity. Again a lesson from the past: wait – the effects of the Victorian industrial revolution took a century to mature into the productivity growth post WWII.

So we're well into a new "revolution" but what does this mean for our cities and property prices? The survey is also quite frank about this: rising house prices are an imbalance of supply and demand. But not just the garden variety version we read about in economic text books – asymmetric market information, myopic market agents etc., but rather a more insidious underlying consequence of the revolution. Cities, especially big ones, have become magnets for the highly skilled, highly productive, high wage ICT workers who like to cluster, share ideas and take advantage of urban capital. These highly "cognitive" revolutionaries have a high demand for housing, but the survey points out — rightly I'd say — that most western cities are mired down in a "dense thicket of zoning regulations" that date back to the 19th century. By their very nature, municipal planning policies and these 19th century zoning legacies put a focus on slowing fixed capital investment, keeping out or burdening with additional costs the newcomers and protecting the assets of established landowners. Strong demand for housing, a regulatory environment impeding supply; this is clearly a formula for chronic imbalances and systemically elevated prices.

Of course all this would be simply amusing if not for the dark side of the revolution – the "large swaths" of workers in the "middle of the skill and wage distribution" which have lost or are losing the economic battle against new technologies and machines. This demographic is being pushed from the cities with the most restrictive zoning and planning regulations, and toward those cities with good jobs that allow lots of new home construction (thus keeping prices down). What's the bottom line, according to the survey? Ultimately, the ICT revolution combined with restrictive planning and zoning is having a negative effect on employment, productivity and output.

Should Ontario municipalities pay attention to this trend? Absolutely.

The New Transit — Connecting Home to Work At Last?

Dobson's 3-D illustrations showed the shifting concentration of office growth in Toronto as compared to subway lines and highways.

With both the provincial and municipal elections being held this year, there may be new hope for transit in the Greater Toronto Area (GTA), says Iain Dobson, co-founder of Real Estate Search Corp.

The problem is that far too many plans and projects miss the real issues in employment and commuting geography.

He showed a video with 3-D depictions showing the vast growth in office space in the 905 area - and the non-transit 416 - since 1985. The resulting 100 million square feet of office space that are not connected to higher order transit are creating serious congestion, Dobson said. You need a car to get to work, to get to lunch, to see clients, etc.

Over the next 30 years, we need an equivalent amount of new office space. "If that growth doesn't land on a transit system," Dobson said, "... well, today's congestion will look like nothing."

There is space for the current and future growth around the newer office nodes. But a lot of the past transit plans "have missed all of them", leaving the problem of congestion. Plus, planning policies in many are aimed at industrial development, and allow few of the amenities and walkable urban feel that attract new technology companies and their employees. Meanwhile, the central core with all those amenities is being built up with condos, and options for affordable new office development are limited.

In terms of employer demand, "no node in this market is 'hot'," he said.

Transit needs to connect people to where the jobs are. "When you look at where employees' jobs are located in relation to their homes, the transit solutions jump off the page at you," Dobson said. But how can it be financed?

Allowing mixed use development with urban amenities around transit helps increase values. It also helps create two-way ridership on the transit lines - generating significant additional revenues.

Many transit lines are assumed to create mostly one way traffic into and out of a downtown core — and that has to finance the proect. But "if an extra 10 per cent of riders use the line the other way in year one, and that reverse peak hour ridership grows by 2-3 per cent each year, that would contribute greatly to operating success," Dobson said.

Other countries have taken innovative cooperative approaches, Dobson said. The new high-speed Crossrail line through London, England, is one example. Expected to open in 2017, it has a budget of £15 billion (US $27 billion).

The National Government essentially said "here's £5 billion, you guys figure out the rest," Dobson said.

So they did. One third of the cost is being paid by the private sector. This includes capital contributions from some large property owners and developers. In addition, large local employers will be contributing £150-200 million each year, at a rate of 2 pence per pound of "rateable value" for properties over £50,000. The City of London (and its transit customers) is essentially financing its portion based on the excess of fare revenues over operating costs.

The key is early involvement of all parties in the planning, he said. Redevelopment potential, greater attractiveness and better access to skilled employees offer real value to employers and landowners. Taxpayers can benefit from new opportunities and more time. "In London, there are big hoardings along the current lines saying 'If you live in Euston, it will take you 23 fewer minutes to get here'," Dobson said.

UPDATE: Dobson spoke to the AOLE just before the municipal elections. In an interview in early December he added: "Last Monday the Premier and the Mayor of Toronto announced a new era of cooperation between the province's Regional Express Rail and the Mayor's Smart Track line" from the Airport Corporate Centre downtown and up to Markham. This bodes well for transit in the future."

RM

PHOTO: Rowena Moyes

Iain Dobson (right) shared some post-presentation insights with AOLE members and guests.

New Mayors / New Focus

This December, Ontarians have seen a number of new mayors sworn into office, along with incumbents returned. Economy, transit, taxes and oversight have been recurring themes.

Business groups have expressed hope that, with the provincial and municipal elections now settled, there may be a real opportunity for needed action. High on their wish lists are regional cooperation on such things as infrastructure and economic development.

Other top requests: tell residents how the province requires intensification so more people can live in core areas with transit, and accomplish that end through updated plans, zoning, regulations and building permit systems.

Municipality	Former Mayor	New Mayor
Brampton	*Susan Fennell*	Linda Jeffrey
Guelph	*Karen Farbridge*	Cam Guthrie
Hamilton	*Bob Bratina*	Fred Eisenberger
Kingston	*Mark Gerretson*	Bryan Paterson
Kitchener	*Carl Zehr*	Berry Vrbanovic
London	*Joe Fontana*	Matt Brown
Mississauga	*Hazel McCallion*	Bonnie Crombie
Sudbury	*Marianne Matichuk*	Brian Bigger
Toronto	*Rob Ford*	John Tory
Waterloo	*Brenda Halloran*	Dave Jaworski
Windsor	*Eddie Francis*	Drew Dilkens
	Incumbents Returned	
Barrie	Jeff Lehman	
Oshawa	John Henry	
Ottawa	Jim Watson	
Vaughan	Maurizio Bevilacqua	

NEW BOARD MEMBER

David Scott
AACI P App, PLE

David is principal mortgage broker in Avison Young's Capital Markets Group, Mortgage Services. Impressed by the professionalism of members and the quality of events, David has volunteered "to give back to this industry and assist the Association in whatever capacity I am able." As well as having many years in consulting, financial and insurance, he also has assisted other associations in organizing events.

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The Legislative Update

By Andy Manahan, PLE

FALL ECONOMIC STATEMENT

Finance Minister Charles Sousa's Fall Economic Statement on November 17th downgraded the growth forecasts for the next three years. Revenues will be lower by $509 million compared to the 2014 Budget forecast. Despite this, a Globe and Mail editorial termed this stubborn gap between revenues and expenses a "fiscal problem" but not a "fiscal crisis" and suggested that big ticket items such as health, education and social services could be delivered more efficiently.

Managing public sector wages and tackling the underground economy are major areas where the Liberals hope to achieve their fiscal targets leading up to the 2018 general election. In addition, Queen's Park will continue to beat the drum on greater participation from Ottawa for infrastructure investment, including transit projects and the Ring of Fire development in northern Ontario, in the lead up to the federal election in 2015.

ASSET RECYCLING

In the last Legislative Beat (Vol. 44, No. 2), I indicated that the Finance Minister was hoping to get a "big (revenue) boost from 'asset recycling', or selling government assets and turning the proceeds over to infrastructure." As it turns out, Ed Clark and his advisory panel have taken a more cautious approach which is revealed in the title of the interim report, "Retain & Gain: Making Ontario's Assets Work Better for Taxpayers and Consumers."

The major thrust calls for the government to maintain long-term ownership of Ontario Power Generation and the LCBO but to sell off parts of Hydro One. The panel estimates that the province can realize between $2 billion and $3 billion by selling off up to 60 per cent of the electrical distribution system such as Hydro One Brampton.

Although it is recommended that the LCBO remain in public hands, updating its retail and pricing strategies are predicted to bring in additional revenue. For example, the now-retired TD Bank head says that the LCBO can use its buying clout to reduce costs and thus maximize profits. Clark also believes that taxpayers deserve a fairer share of profits through new "franchise fees" from The Beer Store which, if it did not cooperate, could lose its monopoly. Clark adds that these additional fees would have to be paid without increasing beer prices. As well, the LCBO would be allowed to sell 12-packs of beer, thus cutting into The Beer Store's market share.

Progressive Conservative finance critic Vic Fedeli commented that the report does not offer any "bold solutions" and that the Liberals need to reduce spending. In a more pointed response penned by David MacNaughton, the former principal secretary to Dalton McGuinty asserts that "I have always been mystified by the attachment many of my fellow Liberals hold to the notion of public ownership of operating companies."

His opinion in the National Post contends that "financing its new spending through debt, rather than the sale of assets, the Ontario government has opened itself up to substantial interest rate risk. There's also the potential complication of not being able to borrow enough money to finance its ambitious infrastructure plan."

When the Clark Panel was given its marching orders, it was done in the context of a limited political appetite to increase taxes. Interestingly, following the FES, the Finance Minister admitted that tax hikes could not be entirely ruled out in the context of the Liberal commitment to balance the budget by 2017-18.

The final report is expected to be delivered in spring 2015 prior to the Ontario Budget.

RCCAO has commissioned a study on "Unlocking Ontario's Advantages", which will provide input into the panel's final report by recommending that a more aggressive approach be taken on asset recycling.

ECO—WATER PRICING

Gord Miller, the Environmental Commissioner of Ontario (ECO), has been consistently critical of the province for not following up on key recommendations made by Justice O'Connor related to the Walkerton tragedy of 2000. In ECO's October 2011 annual report it was pointed out that regulations had not been drafted following passage of the Water Opportunities Act, 2010. This was termed a "missed opportunity" to achieve greater water conservation through pricing measures (see The Land Economist Vol. 42, No. 1).

Mr. Miller has once again chastised the provincial government for doing little to support full cost recovery. He noted that it has still not brought forward regulations to support the 2010 legislation and that it repealed the Sustainable Water and Sewage Systems legislation which was passed in 2002.

In all ECO reports the relevant Ministry is given a chance to respond. In this case, MOE (prior to the Climate Change mandate being added) avoids any reference to full cost pricing or accounting and makes a statement in which there is no supporting evidence: "the non-regulatory infrastructure funding approach requiring municipal asset management plans has been successful in *encouraging* [emphasis added] municipalities to develop asset management plans."

Continued on page 9

Annual General Meeting 2014

The Association's 2014 Annual General Meeting of Members was held November 6, at the Royal Canadian Yacht Club in downtown Toronto. Following are some highlights:

Treasurer Stefan Krzeczunowicz presented the audited **FINANCIAL STATEMENTS** for April 1, 2013 to March 31, 2014. Revenues were $46,866, while expenditures totaled $68,656, resulting in a deficit of $21,790, and the operating fund balance dropping from $40,679 to $18,889.

This was the first deficit in a very long time, mostly reflecting one-time expenses due to the Association's 50th Anniversary. Early this year the Board approved a balanced budget. Current information suggests this will be achieved if all outstanding membership dues are paid and we hold one more successful event.

Registrar John Morrison reported that 16 new members have been approved, so **MEMBERSHIP** is marginally higher at 212 diverse professionals in the economics of land. The Board has been reviewing membership and will make proposals for appropriate fee levels this year.

PROGRAM chair Bonnie Bowerman reported on the year's events:

- Neil Prashad's presentation at the 2013 AGM on ***Revolutionary Thinking on Aging in Place,***
- David Crombie's March 6 lunch speech on ***Infrastructure, Public Service and Cooperation***
- June 3's ***Networking Event and Tour of the Luminato Festival Hub*** with Janice Price, and
- the joint RICS-AOLE-CIQS ***Golf Tournament*** on July 31

AOLE also arranged for special members' pricing at the fall ***Canadian Brownfields Conference.***
Thanks to all the participants!

Jonathan Hack reported that the **BYLAW REVISIONS** are going through one more legal review next month and proposed revisions will be sent to members for approval.

Journal Chair Keith Hobcraft's report (read by Vice-President John Blackburn) noted three informative issues of **THE LAND ECONOMIST** this year, and thanked all people who have contributed articles and interviews.

After this year of elections, **LEGISLATIVE BEAT** Chair Andy Manahan said we hope to see some alignment on much-needed transit. While AOLE does not generally advocate on policy, he noted that many members have influence behind the scenes.

The www.aole.org **WEBSITE** was redesigned, and launched this summer. Chair Mike Real invited everyone to use it, and welcomed suggestions.

Nominations Chair Bonnie Bowerman oversaw the **ELECTIONS**, which affirmed the existing Executive Committee and Board, with the addition of David Scott. See the list on page 7.

LEGISLATIVE UPDATE

...cont from page 8

In fact, a report released by the Association of Municipalities of Ontario in late 2012 was meant to provide "examples of municipalities that have made or are moving toward full cost recovery and life cycle asset management."

The study, done by CN Watson and Dillon, found that "approximately half of the munici-palities surveyed for this report [total of 16] have indicated that they are phasing in full cost recovery over a 10 to 15 year period …"

However, the study also states that "Concern was expressed by the remaining surveyed municipalities regarding the ability to achieve full cost recovery given the impact on water rates and their ratepayers' ability to afford further increases to their bills."

While these are valid concerns, this does not suggest, as MOE has in its ECO response, that significant progress is being made by the municipal sector in achieving long-term financial sustainability for these assets.

AFP TRACK RECORD

Infrastructure Ontario commissioned its second annual "Alternative Financing snd Procurement (AFP) Track Record Report" to assess projects that had reached substantial completion. The 37 projects have a total capital value of approximately $10 billion.

The report by Altus Group found that IO has been able to deliver 36 of the 37 projects on budget, with only one project going marginally over budget based on the awarded contract value.

By contrast, two thirds of the projects (24 of the 37) were delivered early or on time, with another three being completed within a month of the scheduled completion date. The report found that of the 13 delayed projects, the project company either fully retained or partially shared primary responsibility for the delay on all but two projects.

John McKendrick, IO's executive vice president and group head of major projects, said that in one case there was a caisson design error that could have been dealt with through better due diligence or by transferring the design risk through a Design-Build-Finance-Maintain model as opposed to the more traditional Build-Finance approach that was used for this health care project.

In conclusion, the study promoted the overall advantages of using the AFP approach and emphasized that using traditional delivery methods would have cost the province more in cases where projects are delayed.

Andy Manahan is Executive Director of the Residential and Civil Construction Alliance of Ontario. He is also a member of AOLE's Board of Directors, and its Legislative Chair.