

## **Canadian Construction Association**

### **Responses**

#### **1. Economic Recovery and Growth**

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

While the need for governments to return to fiscal balance is important, these efforts must not be implemented at the expense of the critical investments required to maintain Canada's economic competitiveness. Despite the significant investments the federal government has made in the modernization of Canada's infrastructure over the past 5 years, much of Canada's core infrastructure will be approaching the end of its useful service life within the next 15 years. With many provinces and municipalities reaching the limits of their borrowing capacity, the necessary investments to proceed with the building and maintenance of these assets will be increasingly limited. CCA members believe the federal government should continue to play a leadership role in the modernization of Canada's infrastructure assets. Many municipalities now rely on transfers from the federal government to support their infrastructure maintenance. These transfers, however, are disbursed based on a per-capita formula from a static \$2 billion fund, and are being eroded by inflation. As such, CCA members recommend the federal government immediately index the Gas Tax Fund to the cost of inflation. Furthermore, in developing Canada's Long-term Infrastructure Plan (LTIP), the federal government should ensure the LTIP is funded for at least 7 years; is funded at a level equivalent to the Building Canada Plan of 2007; and, is announced prior to the expiration of the Building Canada Plan in 2014 to ensure no gaps in funding exist. In short, the LTIP should include a number of tools that will provide public entities with the flexibility required to accelerate the infrastructure renewal process, including the use of public-private partnerships, the possible use of infrastructure bonds, infrastructure banks, tax incentives, or the creation of a national infrastructure authority to manage the development or rehabilitation of infrastructure assets of national significance.

#### **2. Job Creation**

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

The Federal Red Tape Reduction Commission is an important step forward in better understanding the impediments to job creation created by red tape and bureaucracy. In this regard, it would be equally important to expand this initiative to include inter-governmental red tape. From securities to transportation, the federal and provincial web of duplicative regulation is daunting and keeps many small businesses from expanding outside their home jurisdiction. While reforms would be complicated, federal leadership in this area could help generate the necessary momentum to bring about significant improvements. Many of these regulatory and non-regulatory impediments are well known and have been the subject of considerable study under previous initiatives, such as the discussions leading to the Agreement on Internal Trade (AIT). CCA members strongly recommend the federal government engage with the provinces in further discussions under the AIT to bring about inter-jurisdictional regulatory reforms with a view to further reducing federal-provincial and inter-provincial red tape. In addition to

regulatory reforms, the federal government should also give consideration to simplifying permit requirements and reconsider its policy on cost recovery. While many businesses do not object to paying cost recovery fees, they do object to the level of service received when fees are charged. While some progress has been made, most federal services are still delivered in a manner that is neither timely nor predictable. Some examples of these services were identified in the What Was Heard Report published by the federal government following cross-country consultations with stakeholders about federal regulatory barriers or red tape. To date, little progress has been made in addressing these irritants. CCA members strongly believe federal regulatory reform is necessary, particularly in areas where other jurisdictions play a complementary or leadership role. As such, CCA members would support the delegation of permitting to provincial authorities (where possible), vacating the room to provincial authorities (where appropriate) and establishing stronger delivery standards, particularly with regard to those decision areas where private sector cost recovery fees are charged.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

Due to workforce demographics and strong demand for construction services, Canada's construction industry is facing a workforce shortage of some 320,000 employees by 2020. Efforts such as the HRSDC annual Labour Market Information studies are critical to both public and private sector entities in their management of future labour force needs. As such, CCA members strongly recommend the federal government partner with the affected industrial sectors in the development of future LMI reports so as to ensure the information produced is accurate and best reflects the needs of the affected sectors. With regard to immigration, CCA members are pleased with the numerous initiatives undertaken by the federal government and provinces in order to increase the labour supply within the construction sector. However, with youth unemployment rates in the United States and Europe ranging from 20 to 50 per cent, CCA members feel the federal government should be more proactive in promoting Canada as a destination for the youth of these countries. In this regard, CCA members recommend the use of an active promotional campaign targeted at US and European colleges, polytechnics, technical institutes and universities to promote Canada as a destination for graduating students. These young immigrants are not only necessary to help overcome anticipated labour force challenges, but will be critical to supporting the country's tax base in the future as more Canadians retire. Another measure where federal leadership would be helpful is in the area of credential recognition. Many unemployed US construction workers are interested in working in Canada, yet remain ineligible to emigrate due to the varying apprenticeship and workforce certification standards. This is despite high Canadian demand for their skills, as well as their years of experience working in comparable professions in the United States. Given that immigration is a federal responsibility, CCA members feel the federal government must increase its efforts to work with provinces to eliminate these barriers, thereby facilitating the entry of qualified skilled workers to Canada.

### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

Canada remains a productivity laggard when measured against many of its G-8 counterparts. Government measures, such as the use of accelerated capital cost allowance deductions for machinery and equipment purchases, are helping accelerate the modernization of Canadian industry and boosting overall domestic productivity. Unlike broad-based tax cuts that can be taken offshore without any direct

benefit to Canadians, the use of capital cost allowance incentives encourages investment in Canadian facilities, thereby providing taxpayers with a more direct benefit. Canada's construction industry operates large fleets of commercial vehicles. Most firms operate these vehicles on a 10-20 year turnover rate. Beginning in 2012, governments in both Canada and the United States have mandated the introduction of new Tier 4 diesel engines on commercial heavy duty vehicles and diesel-powered equipment. While these new engines will dramatically reduce smog forming mono-nitrogen oxides (NOx) and tailpipe particulate emissions, they will be more expensive, forcing many firms to defer the purchase of new equipment for as long as possible. The introduction of new diesel-powered equipment in the construction industry is critical not only to reduce pollution, but also to support productivity improvements within the sector. As such, CCA recommends the government introduce a time-limited, accelerated capital cost allowance provision to support the accelerated purchase of new Tier 4 diesel-powered heavy-duty vehicles, as well as diesel-powered mobile equipment and machinery.

## **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

Youth unemployment rates, particularly among Aboriginal and marginalized youth, remain high across the country. Many face employment challenges resulting from their lack of secondary schooling, which can be a barrier to the pursuit of higher education at post-secondary institutions. The federal government can help remedy the situation through the use of tax policy. CCA members recommend the creation of a new employer tax incentive designed to encourage businesses to sponsor unemployed youth in their pursuit of post-secondary education, particularly apprenticeship training at vocational schools, colleges and polytechnics. Dual tax credits should be provided to both the student and the employer for tuition fees and associated expenses paid by the sponsoring employer. Unlike the current Apprenticeship Tax Credit, which is treated by the Canada Revenue Agency as taxable income, the incentive should not be treated as income for tax purposes. This would make it more attractive to small and medium-sized employers, where the Apprenticeship Tax Credit can be viewed as an administrative burden, with a relatively low return on investment. Such a benefit would make career training for students more affordable, help increase the number of domestically trained skilled workers, and decrease Canada's reliance on temporary foreign workers.