

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Merit Canada

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?

Merit Canada's members believe that only a business environment where construction contracts are awarded on an open and competitive basis ensures that Canadians receive the best possible service at the best possible price. Therefore, Merit Canada's members believe that the Canadian Government should mandate that all construction projects financed with federal funds must be tendered without any preconditions, such as those requiring a specific union or requiring contractors to abide by the terms of a specific collective agreement. Providing equal opportunity for all contractors to submit their best bids will ensure that Canadian taxpayers receive the best value for their money, resulting in improved efficiencies and increased economic activity and job creation. There are many jurisdictions in Canada where open-shop contractors – more than 70% of the entire construction industry – are excluded from bidding on public works projects, even though these contractors would be able to provide the same or better services at a significantly lower cost. Federally funded public works projects are paid for by all Canadians. Therefore, all Canadians should have an equal opportunity to provide the services these tax dollars pay for. While local jurisdictions should be free to decide how to allocate the funds they raise locally, they should respect the requirements for open and competitive bidding processes when it comes to using funds raised from all Canadians. It makes no sense for federal funds to be spent with restrictions put in place that would never be allowed for a project that was exclusively federally funded. Canadian taxpayers rightly expect that their hard-earned money is spent in the most cost-effective manner, particularly now given the state of the international economy. Requiring an open and competitive bidding process for construction projects financed by federal funding would be an important step to ensure the greatest 'bang for the buck' for Canadians' hard earned tax dollars

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?

Merit Canada's members have a strong record of job creation across the country. Ensuring an open and competitive tendering process for construction projects receiving federal funds, will result in increased economic activity and job creation. Under the current system, certain jurisdictions are using federal funds for construction projects while excluding 70 per cent of the construction industry from even bidding on the contracts. This is not a formula for creating jobs and generating economic activity. Current federal infrastructure programs that allow provincial or municipal jurisdictions to overrule federal bidding rules with locally imposed restrictions drive up costs for projects and stifle economic activity. This means that, in the end, fewer jobs than could be created under an open and competitive tendering process.

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?

Merit Canada's members are all too aware of the demographic challenges and skills shortages facing the Canadian economy. The Construction Industry will need an additional 300,000 workers by the end of the decade. That is why Merit Canada's members are strong believers in the importance of training and strong supporters of reform to the immigration system. Allowing restrictions on bidding for construction projects funded in part by federal funds further aggravates the current skills shortage. If only certain groups are allowed to bid on these contracts, then workers who have the skills that are in demand but don't happen to work for those allowed to bid are prevented from using their skills on these contracts.

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?

By its very nature, an open and competitive tendering process will help to increase productivity. The most productive and efficient operations will win contracts, forcing others to becoming more productive to compete, with Canadian taxpayers and the Canadian economy the winners. Under the Provincial-Territorial Base Fund alone, the Canadian Government is investing \$175 million per jurisdiction – for a total of \$2.275 Billion. Most of this money is for construction projects. Considering that labour costs can amount to as much as 40% of a construction project, and considering that open-shop contractors offer the same services as closed-shop contractors at up to 10% lower costs, savings to Canadian taxpayers from this policy could amount to up to \$91 million for just that single fund. Similar savings could be expected through other federal infrastructure programs where restrictions are currently allowed to override open and competitive bidding, such as the Federal Gas Tax Transfer Agreements. By removing the restrictions and allowing open and competitive bidding, hundreds of millions of dollars in additional federal infrastructure funding would be available for other projects and investments – within the current budget envelopes.

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?

Given the challenges facing the world economy and sectors of the Canadian economy, the call for government action and the requests for government resources are great. The advantage of Merit Canada's proposals are that they won't cost the Canadian government money. In fact, they will help save hundreds of millions of dollars for taxpayers, as an open and competitive bidding process will ensure savings and generate increased economic activity and job creation for Canadians.