



# Federal Pre-Election Issues Brief: Securing Canada's Economic Future - BC's Strategic Role

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## About ICBA

By way of background, ICBA has been the leading voice of British Columbia's construction industry for 44 years, representing more than 2,100 members and clients who collectively employ more than 75,000 people. ICBA advocates for its members in support of a vibrant construction industry, responsible resource development, and a growing economy for the benefit of all British Columbians.

On behalf of its broad membership base, ICBA undertakes public policy development and advocacy both federally and provincially; sponsors apprenticeship and professional training; and provides individual group and retirement benefit programs. Members are non-union or non-affiliated union contractors and businesses and, taken together, these two segments of BC's construction sector employment account for nearly 85 percent of the 250,000 men and women who work in construction in British Columbia.

## Background and Strategic Context – Securing Canada's Economic Future - BC's Strategic Role

Over the past 18 months, ICBA has substantially increased its advocacy on federal issues that have a significant impact on the construction industry and what it takes to build a strong, stable competitive economy that provides jobs and opportunities for families in BC and beyond. The focus of ICBA's federal advocacy is on matters that affect our membership, enhance prospects for value-creating responsible resource and infrastructure development, and build-out British Columbia's unique facilitative role within the federation as Canada's gateway to the vast markets of the Asia Pacific.

Canada, British Columbia, and the western provinces are at a critical crossroads. The country has a generational opportunity to realize significant, sustainable, shared prosperity if we take advantage of economic opportunities in the Asia Pacific by exporting our world class energy resources and enabling two-way trade in other sectors of the economy. This requires a long-term vision and a continuous commitment to get infrastructure-in-place to foster and enhance fluid supply chains through British Columbia for the benefit of all Canadians.

Canada's strategic national priorities are diverse, but British Columbia is geographically critical to realizing substantial economic opportunities available in the vast Asia Pacific marketplace. At the same time, there are current procurement and trade challenges that have both long-term strategic and short-term practical implications for our membership and the economy.

## Strategic Priorities for British Columbia in the National Interest

This document has been prepared with a view to the upcoming federal election in October, 2019 and is an effort to help define and shape the discussion and debate about important regional and national issues.

As the leading construction association in British Columbia, we offer five strategic priorities:

- Adopting a Long-Term, Outward-Looking Jobs and Investment Plan focused on Gains from Trade with Asia;
- Undertaking Policy to Spur Responsible Resource Development, especially within the Energy Sector;

- Building Trade Enabling Infrastructure in British Columbia for Canada;
- Ensuring Fairness in Federal-Provincial Procurement Policy; and,
- Resolving Steel Tariff and Quota (Safeguard) Issues to Reflect British Columbia and Western Canadian Realities.

1) Adopting a Long-Term, Outward Looking Economic Development Plan focused on Gains from Trade with Asia

Policy makers have long known the Asia Pacific region’s potential as a market for Canadian resources and other goods and services. Over the last decade British Columbia has led the way in achieving market diversification beyond the United States into the Pacific Rim more than any other province<sup>1</sup>. For Canada and British Columbia, there are further gains to be realized through trade with Asia following conclusion of the Comprehensive Agreement on Trans-Pacific Partnerships (CPTPP) and the Comprehensive Economic and Trade Agreement (CETA), together with ongoing bi-lateral trade negotiations with China and India.

Against this backdrop, federal policy makers should consider what tax and regulatory frameworks are required to enable Canada to compete and thrive and gain its fair share of the opportunities ahead of us in the 21<sup>st</sup> century. Current Canadian tax and regulatory policy is multi-layered, complex, in many instances out-of-date, and in dire need of comprehensive revision. Accordingly, ICBA recommends:

- *That a comprehensive tax policy review and restructuring be undertaken to bring Canada’s tax system into the 21<sup>st</sup> century. To accomplish this task, ICBA recommends the establishment of a blue-ribbon tax panel with a clear mandate to simplify the Tax Code and make Canada more competitive and responsive for citizens and small and medium sized businesses that drive Canada’s economic prosperity.*
- *That comprehensive regulatory reform be undertaken to remove unnecessary red tape and regulation to address Canada’s lagging position internationally. A recent report by the World Economic Forum places Canada at a deeply concerning 53<sup>rd</sup> place internationally for the country’s overall regulatory burden.<sup>2</sup> Policy makers should pursue comprehensive regulatory reform to remove business-inhibiting regulation balanced with ensuring robust environmental, health, safety and consumer protection. ICBA has offered its assessment on how government can create the architecture to accomplish this task in a recent submission to and appearance before the Standing House of Commons Committee on Industry, Science and Technology.<sup>3</sup>*
- *That priority be given to developing a Pan-Canadian export-oriented, jobs and investment strategy that aggressively enables trade development and diversification with emerged and emerging markets in the Asia Pacific. The strategy should include a high degree of engagement and coordination with provincial governments especially, but not exclusively, the four western provinces.*

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<sup>1</sup> BC exports to the Pacific Rim (including Japan) amounted to \$17.8 billion in 2018. This represented 38.4% of all BC merchandise exports. Exports to Southeast Asia accounted for another 3.2%. Exports to the US represented 49% of all BC merchandise exports. BC Stats, [Annual Exports](#), 2019.

<sup>2</sup> Klaus Schwab, [The Global Competitiveness Report](#), 2018, World Economic Forum, 2018.

<sup>3</sup> ICBA, [Submission to the Standing House of Commons Committee on Industry, Science and Technology on Impacts of Canada’s Regulatory Structure on Small Business](#), Ottawa ON, February 21, 2019.

## 2) Undertaking Policies to Spur Responsible Resource Development, especially within the Energy Sector

ICBA has become increasingly alarmed with our country's inability to get major projects reviewed and approved in a timely fashion. Though there are broad opportunities for resource development in a multitude of sectors, Canada's energy sector is undergoing steep challenges resulting from policy choices and regulatory frameworks that have rendered the sector uncompetitive in recent years.

The challenge is best exemplified by endemic delays, deferrals and – at times – seeming indifference around getting pipeline infrastructure built to achieve global prices for our oil reserves which are the third largest in the world<sup>4</sup>. Even though the Northern Gateway Pipeline received regulatory and Cabinet approval, it was subsequently cancelled by the current federal government. TC Energy's Energy East pipeline project was cancelled when it became abundantly clear that it had little chance of receiving approval. More recently, the Trans Mountain Pipeline expansion has experienced significant regulatory delays, opposition from environmental interests, a change in ownership from the private to the public sector, and obstruction from the current Government of British Columbia. And while there has been more success in getting Liquefied Natural Gas (LNG) projects permitted and approved, there remain deep-seated challenges to realizing the enormous economic benefits possible for Canadians by helping China and India switch from electricity-generation fueled by coal to BC and Alberta-produced natural gas (LNG).

Given the clear national interest in getting our oil and gas resources to new Asian markets<sup>5</sup>, federal policy makers must help private sector proponents and Indigenous Nations build major infrastructure in a timely fashion. Accordingly, ICBA recommends:

- *That federal policy makers fix Bill C-69<sup>6</sup>, the Impact Assessment Act by adopting the package of amendments proposed by the Canadian Energy Pipeline Association and the Canadian Association of Petroleum Producers which ICBA has formally endorsed in the recent study of the legislation by the Standing Senate Committee on Energy, the Environment and Natural Resources.*
- *That federal policy makers withdraw Bill C-48 – Tanker Moratorium Act<sup>7</sup>. This Bill effectively precludes any future oil pipeline and associated port development in Northern British Columbia and, with it, the enormous economic benefits which could accrue to all Canadians from getting Alberta oil responsibly to Asia Pacific markets.*

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<sup>4</sup> The Canadian Energy Pipeline Association recently released a report prepared by Ernst & Young LLP which focusses on regulatory layering and competitiveness challenges in the critically important energy pipeline sector. Key findings of the report indicate that: the volume of regulation has increased; that pipeline operators find many regulatory processes are becoming more complex and challenging; and that regulatory costs have been increasing for pipeline operators. See: Ernst and Young, Regulatory Competitiveness in Canada's Pipeline Industry, prepared for the Canadian Energy Pipeline Association, April, 2019.

<sup>5</sup> A recent report by Ernst and Young LLP underscores that transitioning to a lower carbon economy is opening up a range of business opportunities for Canada with fossil fuels continuing to play a key role in meeting rising energy demand of the middle class in Asia. Over the next 20 years, oil and gas will be around 50% of total global primary energy supply. Natural gas will grow strongly supported by broad-based demand, plentiful low-cost supplies, and growth driven by industry and power sectors. Global gas production will be led by North America and the Middle East, followed by China and Russia. North America will lead LNG exports, with China and India overtaking Japan and Korea as the leading Asian importers of LNG. See: Ernst and Young, Global Oil and Gas Trends: Is Transformation on Your Agenda or Running It, May 2019.

<sup>6</sup> For further information on ICBA's position on Bill C-69, please see: ICBA, Submission to the Standing Senate Committee on Energy, the Environment and Natural Resources, Bill C-69: An Act to Enact the Impact Assessment Act and the Canadian Energy Regulator Act, to amend the Navigation Protection Act and to make consequential amendments to other Acts, April 8, 2019 and ICBA, Submission to the Standing House of Commons Committee on Environment and Sustainable Development Re: Bill C-69: An Act to Enact the Impact Assessment Act and the Canadian Energy Regulator Act, to amend the Navigation Protection Act and to make consequential amendments to other Acts, April 6, 2018.

<sup>7</sup> ICBA, Submission to the Standing Senate Committee on Transport and Communications on Bill C-48: An Act Respecting the Regulation of Vessels that Transport Crude Oil or Persistent Oil to or from Ports or Marine Installations Located along British Columbia's North Coast, February 27, 2019.

- *That federal policy makers clarify the intent of adopting the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) juxtaposed to the robust Duty to Consult and Accommodate underpinned by Section 35 of the Constitution Act, 1982 and subsequent case law which has evolved over four decades since Section 35 was enshrined in the Constitution of Canada.*
- *That federal policy makers clearly express the national interest in ensuring and upholding federal jurisdiction over inter-provincial linear infrastructure – especially pipelines – which are critical to getting Canada’s all-important oil and gas resources responsibly to tide-water. Diversification of our energy beyond North America, especially to Asia Pacific markets, must become a national priority and must involve policies and practices that actually help private sector proponents and Indigenous Nations “get to yes” in a timely manner.*
- *That federal climate action policy clearly: i) Recognizes Canada’s role as a responsible and ethical producer of energy resources; ii) Is realistic about Canada’s role and contribution in stemming anthropogenic climate change given that Canada produces less than 2 percent of the world’s GHG emissions; and, iii) Takes action to make our natural gas (LNG) available on a global scale to assist the transition in China and India from more carbon-intensive, coal-based energy to lower carbon Canadian energy sources.*

### 3) Building Trade-Enabling Infrastructure in British Columbia for Canada

British Columbia – as Canada’s only West Coast province – is critical in linking economic sectors in all provinces with Asia Pacific opportunities. Federal policy makers are key partners in funding trade-enabling infrastructure to achieve economic gains from two-way trade with other jurisdictions both domestic and international. Federal policy makers also play an important role in helping fund efforts to alleviate value-destroying bottlenecks to enhance supply chain fluidity through British Columbia to international markets.

Canada has two strategic road and rail trade corridors through British Columbia joined to two world-class ports – Port Metro Vancouver and the Port of Prince Rupert – with both having considerable room for further growth. Accordingly, ICBA recommends:

- *That federal policy makers support additional development of containerized and break-bulk capacity at both Port Metro Vancouver and the Port of Prince Rupert.*
- *That federal policy makers fund incremental improvements to major highway infrastructure, including 4-laning Highway 1 from Kamloops to the Alberta border and adding capacity from Langley to Abbotsford in the Lower Mainland. In addition, federal policy makers should, in partnership with the Government of British Columbia, commit to a long-term plan to four-lane Highway 16 from the Alberta border to Prince Rupert and to complete the Highway 97 (Cariboo Connector) 4-laning program, which commenced a decade and a half ago.*
- *That federal policy makers – together with the BC government – prioritize and fund a suitable replacement for the 60-year old Massey Tunnel which is nearing the end of its life-cycle and is a significant and growing bottleneck in the Greater Vancouver Gateway.*
- *That federal policy makers fund new SkyTrain infrastructure along the Broadway corridor to UBC and the extension of the Expo line to Langley. In addition, federal policy makers should be active participants in medium- and long-term planning processes to further extend SkyTrain*

*infrastructure to manage and shape growth in land-constrained Metro Vancouver given that one million residents are expected to be added to the region by 2035<sup>8</sup>.*

- *That federal policy makers work with provincial and local authorities to ensure the preservation and enhancement of trade-enabling industrial land at or near tidewater in Metro Vancouver and Prince Rupert.*

#### 4) Ensuring Fairness in Federal-Provincial Procurement Policy for Public Infrastructure

ICBA believes public sector procurement should be open to all contractors without preference to union or non-union firms, or one union over another.

Recent policy changes by the Government of British Columbia require Building Trades Union–only hiring on designated provincial infrastructure projects under its Community Benefits Agreement (CBA)<sup>9</sup> framework. There are significant concerns within our membership and the broader business community that federal funding for federal-provincial cost-shared public infrastructure may be “caught” in the Government of BC’s discriminatory union-only procurement framework. For example, on February 21, 2019, the Government of BC announced its intention to apply their CBA framework to the Broadway SkyTrain extension<sup>10</sup>.

The Government of BC’s CBA framework is, in fact, a preferential scheme that effectively precludes non-affiliated union (i.e. not BC Building Trades) and non-union workers from participating in building public infrastructure and will lead to significant cost-escalation on designated CBA projects<sup>11</sup>. Not only must construction workers join one of 19 select Building Trades Unions, but they must also quit the employment of their current employer and become an employee of a newly established crown corporation.

Given that federal policy makers are planning to invest \$180 billion in infrastructure over the next 12 years<sup>12</sup>, non-union and non-affiliated union businesses in the construction sector should not be precluded from participating fully in these significant opportunities. At the same time, taxpayers rightly expect to get full value for their tax dollars. Projects financed with federal funds should be tendered without precondition – all construction contractors should be allowed to bid and work on joint federal-provincial cost-shared projects whether they are non-union, non-affiliated union, or Building Trades Union-only without the latter being given preference.

Accordingly, ICBA recommends:

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<sup>8</sup> BC Stats, British Columbia Population Projection 18/06 Summary Statistics, BC Ministry of Jobs, Trade and Technology, page 1.

<sup>9</sup> The term “Community Benefits Agreement” is a misnomer in the British Columbia context. These agreements are, in fact, old-style Project Labour Agreements with the objective of giving preference to Building Trades Unions only for designated public sector procurement. The BC government has established a new Crown Corporation, BC Infrastructure Benefits Inc., which will be the “true employer” for designated projects, while only government approved unions can participate; i.e. the 19 craft unions under the BC Building Trades Union umbrella. Non-union and non-affiliated unions – which comprise 85 percent of the construction industry workforce in BC – will be effectively excluded.

<sup>10</sup> Glenda Luymes, “NDP says Broadway subway will be subject to ‘community benefits agreement’”, Vancouver Sun, February 15, 2019. See also: Government of British Columbia, “Government of British Columbia, Broadway Subway project launched with procurement step”, News Release, February 15, 2019, <https://news.gov.bc.ca/releases/2019TRAN0018-000233> The Government of British Columbia has also extended the CBA framework to one of eight federal-provincially funded projects to 4-lane portions of Highway 1 between Kamloops and the BC-Alberta boarder. See: Government of British Columbia, “Contract Awarded for Illecillewaet Highway 1 Widening”, News Release, May 16, 2019.

<sup>11</sup> For example, the Canadian Federation of Independent Business estimates that costs may escalate for the \$1.4 Billion Pattullo Bridge Replacement Project, which is subject to the Government of BC’s BC Building Trades Union only Community Benefits Agreement Framework, by between \$130 million to \$259 million because of the lack of full open tendering. See: <https://www.cfib-fcei.ca/en/advocacy/cost-bcs-community-benefit-agreements>

<sup>12</sup> Government of Canada, Honourable William Francis Morneau, PC. MP, Minister of Finance, Investing in the Middle Class: Budget 2019, March 19, 2019, p. 74.

- *That federal policy makers not allow funds to be allocated where the Government of British Columbia “designates” a project to be subject to their discriminatory “Community Benefits Agreement” framework. In other words, any federal-provincial cost-shared project should be open to bidding by union, non-union or non-affiliated union contractors. Fundamentally, federal-provincial shared-cost infrastructure should be awarded on merit to qualified firms, based on best all-in value for tax payers at the lowest reasonable cost.*
  - *That federal policy makers pass legislation to ensure federal-provincial cost-shared infrastructure is procured in a fair, open and transparent manner without preference to union or non-union contractors.*
- 5) Resolving Steel Tariff and Quota (Safeguards) Issues to reflect British Columbia and Western Canadian Market Realities

Together with other national and provincial industry associations, ICBA is concerned about the lingering “safeguard measures” that limit steel imports through tariffs or quotas<sup>13</sup> in response to the US Presidential Executive Order which had imposed tariffs on Canadian steel imported into the United States. The Government of Canada has put in place reciprocal safeguard measures to protect Canadian steel manufacturers, largely located in Ontario.

In April 2019, the Canadian International Trade Tribunal (CITT) recommended that the Government of Canada should not continue safeguard measures on imported concrete reinforcing bar (rebar) and four of six other steel products which were subject to the CITT’s recent hearing process (i.e. hot-rolled sheet, pre-painted steel, wire rod, and energy tubular products)<sup>14</sup>. The Minister of Finance has ultimate decision-making authority on whether the CITT’s ruling is upheld.

BC construction service providers have been on the receiving-end of substantial steel cost escalations in recent years which must be passed onto consumers or absorbed by firms through layoffs or cuts elsewhere in their businesses. This has occurred amidst long-standing fundamental “supply-side” constraints facing BC-based construction operators sourcing steel and related products, including the reality that transportation costs for Ontario steel are four times more than steel sourced from the United States, Turkey or Asian markets. The simple reality is that steel cannot be competitively sourced from Ontario suppliers. Safeguard measures designed to protect largely eastern Canadian steel producers fundamentally harm the construction industry in British Columbia.

Accordingly, ICBA recommends:

- *That federal policy makers uphold the ruling of the CITT that rebar and four other related steel products be exempt from the application of federal safeguard (tariff or quota) measures in recognition of the severe supply constraints in British Columbia and Western Canada.*
- *That federal policy makers keep all international sources of steel supply open to British Columbia to help address escalating costs and the affordability of infrastructure and housing.*

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<sup>13</sup> Together with the Urban Development Institute and the Vancouver Regional Construction Association, ICBA made joint submissions to the federal Minister of Finance, Honourable Bill Morneau on August 29, 2018 and subsequently on April 17, 2019 on this critical issue. See: Letter Submission to Hon. Bill Morneau, Public Consultations on Safeguard Actions (Tariffs/Quotas) for Steel Imported Products, August 29, 2018 and Letter Submission to the Honourable Bill Morneau, Canadian International Trade Tribunal Decision Rejecting the Need for Steel Safeguards (Tariffs or Quotas) for Concrete Reinforcing Bar and Certain Other Products, April 16, 2019.

<sup>14</sup> Canadian International Trade Tribunal, Safeguard Inquiry into the Importation of Certain Steel Goods; Inquiry no. GC-2018-001, April 3, 2019.

## Conclusions – Securing Canada’s Economic Future – BC’s Strategic Role

With a federal election this fall, ICBA appreciates the opportunity to highlight five strategic priorities of national interest and local importance to British Columbians generally, and our member providers of construction services in particular.

BC’s strategic role in securing Canada’s economic future is often underestimated in national efforts to grow the economy and boost significant, sustainable, shared prosperity for all Canadians.

Federal policy makers have a great opportunity to enable further gains from two-way trade with Asia for the benefit of all Canadians. But in today’s world, nothing can be taken for granted and British Columbia’s strategic position must be leveraged to help secure Canada’s economic future.

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