



January 7, 2025

RE: Protecting Taxpayers from Overspending on Local Government Construction

Dear Mayor and Council:

The Independent Contractors and Businesses Association (ICBA) is Canada's largest construction association and a leading industry organization in British Columbia, with more than 4,500 member and client companies. ICBA's B.C. corporate members account for approximately 85% of the province's construction sector – representing more than 190,000 jobs. Construction itself is one of the biggest B.C. industries, directly generating almost 8% of GDP. ICBA also owns and manages a rapidly growing employee health and dental benefits business which currently supports more than 300,000 Canadians.

Apart from advocating for the interests of construction companies and contractors, ICBA is a principled voice for free enterprise and the benefits of a competitive, market-based economy. Unlike many other business associations, ICBA receives no funding from governments at any level. We believe that competition and choice for consumers and taxpayers is by far the best way to deliver value-for-money and create the conditions for a thriving economy.

ICBA is writing to you and other B.C. local government bodies to share our views on the topic of public sector procurement. At a time when large numbers of British Columbians are facing affordability challenges, many small and mid-sized businesses are struggling to survive, and the B.C. government is running record budget deficits, we believe it is **important for municipal leaders to commit to open, fair and transparent procurement practices** across all domains of local and regional government activity. This includes the regular purchase of goods and services to operate local government as well as procurement that is tied to capital spending and the development and maintenance of infrastructure assets.

When municipalities pay for goods, services and capital projects, they do so on behalf of all taxpayers in the community. **Municipal policymakers have an obligation to adopt prudent fiscal policies and to ensure the best possible value-for-money when expending taxpayer dollars. Competitive procurement policies are a vital part of delivering on this fundamental obligation.**

Across Canada, local government expenses amounted to \$220 billion in 2022, with the main components of expenditures consisting of purchases of goods and services, employee compensation, subsidies and grants, interest payments on debt, and the depreciation of fixed capital (Statistics Canada, Table 10-10-0015-01). In the same year, total local government revenues were \$225 billion, of which the largest shares were grants/payments from other levels of government and revenues derived from taxes on property.

In the past few years, the B.C. government has undertaken a significant fraction of its capital projects under the "Community Benefits Agreement" (CBA) framework adopted in 2018. Under this policy, a provincial Crown Corporation (British Columbia Infrastructure Benefits Inc. – BCIB) contracts for the employees required to build certain public sector infrastructure and other capital projects. It does so through an agreement with a group of 19 trade unions that are part of the broader Building Trades Union (BTU) alliance. All employees working on CBA projects must be (or become) members of an affiliated BTU.

This very unusual arrangement dilutes the important relationship that exists between an employer and its employees across the rest of the B.C. private sector.

The province's CBA policy has the effect of restricting bidding on projects covered by the scheme. This is especially problematic given that about 85% of the people working in the B.C. construction industry are not BTU members nor employed by contractors which are covered by BTU collective agreements. **Fewer bidders means less pressure to ensure competitive costs and excellence in project delivery.** Many ICBA members will not bid on public sector projects covered CBAs because of the extra bureaucracy and administrative complexity involved and also because they do not wish to give up control and management oversight of their own workforce – as is the normal practice in Canadian business.

As demonstrated by academic research, **restricted bidding translates into higher costs for taxpayers** and the users of infrastructure services established via CBA-type arrangements.¹ Cost over-runs and unexpected delays are a common theme with CBA projects.² The net result is hundreds of millions of dollars of additional costs imposed on the B.C. taxpayers and delays in project delivery.

It is sometimes argued that restrictive tendering policies like CBAs are necessary to support local hires, apprenticeships, and pensions. In a labour shortage like B.C. construction is facing, our companies do everything they can to hire and keep local workers. ICBA is the single largest sponsor of trades apprentices in British Columbia, and open shop contractors train 82% of all apprentices in the province. When it comes to financial security, ICBA contractors and their employees utilize RRSPs, bonus programs, and profit-sharing initiatives, providing flexible and effective solutions tailored to their workforce, rather than being restricted to union-controlled pension plans.

For local governments, the lesson from B.C.'s failed experiment with CBAs is clear. **Municipal and regional government projects should be developed and managed using open, competitive procurement.** Restrictive tendering should be avoided in all areas of local government activity – capital projects, but also the day-to-day procurement of goods and services. Municipalities should not discriminate against B.C. businesses and their employees based on factors such as particular union affiliations.

If you have any questions or wish to engage ICBA in a conversation on this, or any, construction issue, please feel free to contact me directly at chris@icba.ca.

Sincerely,

INDEPENDENT CONTRACTORS AND BUSINESSES ASSOCIATION



Chris Gardner

President and CEO, ICBA

¹ Brian Dijkema and Morley Gunderson, Restrictive Tendering: Protection for Whom?" January 2017, CARDUS.

² Renze Nauta, "Benefits for Whom? Assessing British Columbia's Community Benefits Agreements," CARDUS September 2024.