House of Commons
Chambre des communes
CANADA

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Merit Canada

or

( ) **an individual** **Name:** _____

Topic: Infrastructure

*Recommendation 1: Please provide a short summary of your recommendation.

The Federal Government should insist upon open tendering for all infrastructure projects funded in whole or in part by the Government of Canada. This means that bidding on public sector contracts could no longer be restricted to specific unionized contractors affiliated with the building trades unions. The latter, referred to as closed tendering, is still practiced in many Canadian jurisdictions and restricts competition and drives up project costs. Open tendering should be included in all infrastructure agreements and apply to Crown corporations and other infrastructure funding mechanisms.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$1 billion or more

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

No new funding is needed for this recommendation. In fact, the Federal Government could save or reallocate billions of dollars in infrastructure funding if open tendering were in place. Open shop contractors generally offer the same services as closed shop ones for 12-18% less, but are precluded from bidding on projects in jurisdictions that practice closed tendering. When you look at the $53.5 billion committed to infrastructure in Budget 2013, even a 12% saving would translate into $6.42 billion. That would fund a lot of additional infrastructure projects.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

There are two primary beneficiaries of open tendering. First, taxpayers benefit since competition lowers costs and improves quality. It does not take an economics degree to recognize that if a small group of contractors are guaranteed contracts for public projects, costs will go up and quality will suffer. The second set of beneficiaries are the 7 out of 10 construction workers in Canada who work in the open shop sector and are currently excluded from employment on public projects subject to closed tendering. That is unjust and undemocratic.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Under open tendering, projects built with Federal Government money will be open to all Canadian construction workers, not a privileged few who belong to a particular union. With true competition, projects will be delivered at lower cost and higher quality. More broadly, open tendering is critical to our democratic system. No group should be using government money to shut out their competition. And governments should not be looking the other way while it happens.

Topic: Please select from the pull-down menu

Recommendation 2: Please provide a short summary of your recommendation.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

Please select from the drop down menu

Please select from the drop down menu

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Topic: Please select from the pull-down menu

Recommendation 3: Please provide a short summary of your recommendation.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

Please select from the drop down menu

Please select from the drop down menu

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Please use this page if you wish to provide more explanation about your recommendation(s).

Merit Canada is the national voice of eight provincial open shop construction associations. The term "open shop" simply describes a workplace where membership or non-membership in a union is not a condition of employment. For our members, “open shop” means freedom of choice and fairness in the workplace. Open shop companies and workers build more than 70% of the industrial, commercial, institutional, and residential construction projects across Canada. Of the 1.26 million Canadians working in construction, 900,000 work in open shops.

Unfortunately, far too many jurisdictions across Canada continue to practice closed tendering. That means bidding on public sector contracts is restricted to specific unionized contractors affiliated with the building trades unions. Under closed tendering, 7 out of 10 construction workers are excluded from employment on these projects, right off the top. To make things even less competitive, specific unions also have privileged access to these contracts over other unions. This further shrinks the pool of competition. With 70% of the industry shut out from competing, quality goes down and costs go up.

With its massive infrastructure commitment, the Federal Government needs to take a leadership role to put an end to this practice. Any project that uses federal funds must be subject to open tendering. There should be no preconditions requiring contractors or workers to belong to a union or pay union dues. This policy should be included in all infrastructure agreements, should be applied to all Crown corporations and any other mechanism the Federal Government uses to fund infrastructure.

Federal funds are collected from all taxpayers. It is unjust that companies that pay federal taxes are prevented from bidding on contracts paid for with their tax dollars because they do not belong the right union. Everyone should have the same opportunity to work.

Moreover, at a time of massive budget deficits across all levels of government, continued support for closed tendering is untenable. Consider that a a City of Montreal report found that its closed tendering system inflated the initial price tag of projects 30-40%. Sewer and aqueduct projects in that City were 85.5 % more expensive.

That is not good value for taxpayer dollars. Inflated costs consume scarce resources and mean a lot of new roads, bridges and public transit are not being built. A lack of competition also contributes to poor quality work and is partly to blame for the crumbling infrastructure across Canada.

Open tendering will provide fairness for workers and good value for taxpayers. Project savings from open tendering means that public money will go further in building infrastructure, and that benefits all Canadians.

*Please note that at least one recommendation must be provided