

Statement by the Canadian Construction Association

Re: **The impact of COVID-19 on the construction sector**

Presented to: House of Commons Standing Committee on Government Operations and Estimates
Friday, June 5, 2020 12:00 – 13:00 p.m. (EST)

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Thank you, Mr. Chair and honourable Members of Parliament.

My name is Mary Van Buren, and I'm the President of the Canadian Construction Association. I'm here today representing over 20,000 of our members from across Canada – general, civil and trade contractors as well as suppliers and other professionals working in, or with, Canada's institutional, commercial and industrial (ICI) construction industry.

On behalf of our members, we appreciate the steps that have been taken to date by Parliament to help Canadians and businesses during the COVID-19 crisis.

Since the pandemic hit Canada, the construction industry has come together to do its part to protect workers, their families and communities. The health and safety of workers has always been and remains our number one priority.

In collaboration with our members, PSPC and Health Canada, we developed national standardized health and safety protocols, which have been widely promoted and regularly updated. These stringent protocols have been put in place by our members across Canada to help minimize the spread of coronavirus so that work could be continued safely. The industry is very proud of its role as essential service providers.

At the same time, our local companies and associations have also been supporting their communities and healthcare workers with donations of PPE, free hot lunches, funding for urgent care clinics and food bank drives. We're very proud of the work they're doing in their communities.

This culture around caring for our communities and giving back is based on the value systems of the small and medium-sized, family run businesses that make up over 70 per cent of the construction industry.

It is these companies that are still struggling despite some of the helpful emergency measures implemented by the federal government.

Even with operations impacted by such things as supply chain disruptions and increased cost of materials, our members have continued to work on federal projects throughout the pandemic. COVID-related worksite health and safety expenses were also unbudgeted and represent a significant productivity cost, as firms implement physical distancing requirements and sanitization procedures – all while dealing with staff shortages.

The industry is eager to step up and support the federal government in its efforts to rebuild the economy. For this to happen, these firms need to first survive.

That is why, on behalf of our members, CCA is urgently asking Ottawa for cost reimbursement on current federal projects. Businesses need this support now, not at the end of projects, which could take months or even years to settle. This is about fairness.

Under this industry-specific emergency COVID-19 cost reimbursement program, CCA is recommending that eligible costs be reimbursed by up to five per cent of the contract value as a starting point, subject to the program being adjusted as the duration and full impact of COVID-19 becomes clearer over time.

We believe that extensions of time and fair compensation for reasonable costs incurred for federal construction projects, supported by sufficient documentation from the contractor, would alleviate some of the financial pressure on construction businesses.

As we look to recovery, we are concerned that federal government programs may not be available or accessible at the time when firms need access to capital to ramp up their operations to work on stimulus projects.

It can take several months from when a project has started to when the general trades and subtrades get paid for their work. This is typical in a construction project timeline. When we add to that, the slowdown that started in March with increased project costs, the balance sheets of the mom-and-pop

type firms are likely not going to be in good shape come August and September. They may not be able to afford to complete the projects they've already committed to; and also have the working capital necessary to finance the start-up of new projects.

If lenders don't change their credit criteria, or if lenders are reeling from losses in hospitality, tourism, or retail, normally sound construction businesses may not be able to access capital. Stimulus investment must also be tied to capital availability.

The construction industry employs 1.5 million Canadians and contributes 7 per cent of the gross domestic product. As we head into the recovery phase from COVID-19, made possible thanks to the leadership of all levels of government and all Canadians doing their part, investing in infrastructure is a proven strategy. It yields social benefits, creates jobs, provides training for apprentices and helps to build and maintain important public services. There are hundreds of critical projects that are already in progress or need to be maintained. Many of these are essential to the well-being of our citizens and support the delivery of essential services like water, energy, transportation and health care. Again, it's the smaller firms—the manufacturers, the suppliers, the trades—that will finance the materials, fabrication and labour as projects ramp up.

Extended federal government backstopping may be required over a longer period of time. In any economic stimulus, we believe some principles should be followed hand-in-hand with any liquidity support.

The first being that federal departments need to continue to work together with provinces and municipalities to eliminate red tape and make project money flow as quickly as possible to get people back to work.

Secondly, there must be balance across sectors and across regions of Canada, as well as in the size of firms, so that we don't have just one or two \$5-billion projects, but instead projects for people to participate in at all levels over an 18-month period.

We also need to have clear and consistent rules for COVID-19 and for access to PPE that does not detract from the needs of frontline workers.

And finally, as I said, we need flexibility in dealing with COVID-19 federal project costs and delays, and on the types of projects that would qualify under the Investing in Canada plan.

A cost reimbursement program applied to current federal projects, combined with a well-considered recovery plan for the future, will ensure the construction industry can play its full role in supporting a strong economic recovery. It will allow us to absorb some of the displaced workers from other industries as well as provide well-paying jobs for millions of Canadians already working in the industry.

An investment in infrastructure is an investment in Canada and our communities, and the construction industry is willing and able to partner with the government.

We remain committed to helping our country re-build its economy and improve the quality of life for all Canadians.

Thank you for the opportunity to address the committee on these important issues. I would be happy to answer any further questions on behalf of the Canadian Construction Association.