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Industry groups call on Ottawa to loosen social and financial requirements in $187B infrastructure plans

Even a temporary relaxing of project-specific criterion would allow provinces and municipalities to more quickly move ahead 'shovel-ready' projects, lobby groups say

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OTTAWA — Industry groups are urging the Liberal government to loosen requirements under its $187-billion infrastructure program aimed at promoting issues such as gender and First Nations employment, saying Ottawa needs to cut red tape to stimulate the economy post-pandemic.

Construction and engineering firms say that social requirements introduced by the Liberal government on infrastructure projects — requirements to survey and report the number of female or First Nations workers on site, for example — have already added new administrative burdens for companies. Adding to those requirements has been Ottawa's demand that money flows into specific project types, whether they be green energy, public transit, affordable housing or social infrastructure.

During discussions with Ottawa in recent weeks, industry representatives have been calling on Infrastructure Minister Catherine McKenna to begin easing some of those conditions, warning they could restrict the flow of infrastructure projects when the federal government is seeking to fast track infrastructure developments and stimulate the economy.

The requests run somewhat counter to a long-running mantra by the Liberal government, which has often used its sprawling infrastructure spending plan as a way to expound their environmental and socially-conscious political agenda.

But even a temporary relaxing of project-specific criterion would allow provinces and municipalities to more quickly move ahead "shovel-ready" projects, various lobby groups say.

"We need to broaden the menu," said John Gamble, president and CEO of the Association of Consulting Engineering Companies.

We really need to make sure there's liquidity in the system throughout the supply chain

McKenna is seeking to expedite projects under Ottawa's sizable infrastructure program, first introduced in 2016, which ramped up funding for everything from seaports to major urban rail lines. The program is expected to be a key piece of Ottawa's plan to reinvigorate the Canadian economy as COVID-19 restrictions are lifted.

Industry groups across the board are supportive of the spending plans, saying they go some way toward filling Canada's longstanding infrastructure deficit. But they say Ottawa should not prescribe what types of projects get built when stimulus is the priority, and instead eliminate those barriers.

"It really needs to be flexible," said Mary Van Buren, president of the Canadian Construction Association, which represents 20,000 companies.

Some say the current structure of the program — which breaks down spending into individual pools of money for clean energy, trade and transportation, public transit, and other categories — does not adequately account for the individual needs of municipalities, and risks prioritizing the wrong types of projects. A small municipality in rural Saskatchewan, for example, might have little need for public transit funding, but have a major demand for new roadways and sewer systems.

A letter sent from the Canadian Chamber of Commerce to Prime Minister Justin Trudeau last week, obtained by the Financial Post, called on Ottawa to "avoid any extraneous regulations on already approved projects," and ensure regulators avoid delays for environmental assessments and permits.

A spokesperson for McKenna did not respond to questions about whether Ottawa was considering loosening the structure of its program, but said the minister was focusing on projects that provide “more options for green and natural infrastructure investment, better, cleaner public transit and faster growth in broadband Internet access.”

It really needs to be flexible

Construction and engineering firms have already faced the gradual layering-on of new regulations and reporting requirements in recent years, partly in the form of community benefit agreements, or CBAs.

Similar agreements known as Community Employment Benefits (CEBs) were introduced under the federal infrastructure program. They call on project owners to “promote increased employment opportunities” for at least three minority groups on a list including First Nations, women, disabled people and recent immigrants.

Some industry executives worry that such requirements could be continuously expanded, adding administrative hurdles for companies that slow project developments and raise costs.

A community benefit agreement introduced by the British Columbia government in 2018, for example, requires all workers on the $1.37-billion replacement of the Pattullo Bridge to be members of the B.C. Building Trades Union, excluding a majority of companies from the bidding process and raising project costs.

An analysis by the Canadian Federation of Independent Business suggests CBAs in B.C. could add $4.8 billion to the cost of public infrastructure projects over three years, and as much as $259 million to the Pattullo Bridge project alone.

“Particularly in this time of COVID-19, the last thing we want to see is either a provincial or federal government latch onto some of these B.C. community benefit agreement-type of models under the guise of protecting workers rights,” said Paul de Jong, president of the Progressive Contractors Association of Canada.

We really need to make sure there’s liquidity in the system throughout the supply chain

His association, which has been vocally opposed to B.C. CBAs since they were introduced, wrote to minister McKenna on April 24 calling on her to waive CEB requirements.

“These vaguely-defined community benefit agreements in a variety of jurisdictions have resulted in significantly increased project costs and scope reductions, as provinces and municipalities add restrictive and often unfair requirements that delay projects and do not necessarily deliver tangible benefits,” the association said in its letter.

Other stakeholders have called on Ottawa to simplify the application process for projects.

“This is not about ignoring building codes or environmental permitting,” said John Gamble of the ACEC. “This is about re-evaluating red tape in terms of general screening.”

As Ottawa faces pressure to rapidly roll out more infrastructure projects, industry representatives also warn that a lack of liquidity among construction companies, municipalities and provinces threatens to slow stimulus efforts.

Some have called on Ottawa to increase funding to the Gas Tax Fund, which supplies infrastructure dollars directly to municipalities.

Others have suggested Ottawa pay a portion of infrastructure projects upfront, which would offer crucial cash flows to firms as they look to bring their operations back online, several people said. Infrastructure projects are often highly complex, and completed in distinct increments, which often leaves firms waiting anywhere from three months to a year to receive payment.

“We really need to make sure there’s liquidity in the system throughout the supply chain,” Van Buren said.

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Public Services and Procurement Canada is currently floating plans to pre-pay a portion of infrastructure contracts for federally owned assets, according to two sources familiar with the matter. An official with PSPC did not confirm the plans, but said the ministry was mulling “a number of potential avenues” to support construction firms.

A spokesperson for McKenna did not confirm whether Infrastructure Canada was considering a similar policy.

Economists are in broad agreement that some form of fiscal stimulus will be needed as the Canadian economy climbs back to health. But many say short-term stimulus is better provided through direct financial supports, whereas infrastructure is typically only effective when it is spread evenly over many years.

“If your objective is speed, infrastructure is probably not your go-to,” said Kevin Page, founding president at the Institute of Fiscal Studies and Democracy.

Ottawa’s desire for a quicker rollout of infrastructure dollars has likewise raised concerns over ballooning costs, particularly at a time when disrupted supply chains and a shortage of materials is likely push project inputs well above their initial estimates.

“Someone has got to be vetting these projects; we can’t just shovel this money out the door,” said Stephen Wickens, an independent researcher. “We’re going to be doubly vulnerable to huge amounts of waste at a time when we can’t afford to waste a nickel.”

A recent report by Wickens for the Residential and Civil Construction Alliance of Ontario found the costs to build rail projects in Ontario have increased at a rate several times higher than inflation over the past 20 years, as policymakers increasingly opt for grander and more ambitious project designs.