

CCA ANNUAL REPORT
WESTERN ROADBUILDERS AND HEAVY CONSTRUCTION ASSOCIATION

1. THE YEAR IN REVIEW

From an overall government relations perspective, 2008 was another successful year for the CCA Road Builders Council and TRIP Canada. A number of longstanding objectives for the Council were solidified through Budget 2008, as well as several significant reforms to federal immigration policy that will better help the sector meet its future employment needs. Highlights of the CCA 2008 achievements are:

1.1 Federal Infrastructure Renewal Funding

Building on earlier TRIP Canada initiatives, CCA was able to persuade the federal government to make permanent the \$2 billion Gas Tax Transfer to municipalities beyond fiscal year 2013-2014. This money will provide municipalities with the predictability they have requested to help them fund infrastructure renewal.

1.2 Federal-Provincial Infrastructure Funding Framework Agreements

With the strong urging of CCA, the federal government concluded the signing of federal-provincial framework agreements this fall. These agreements make joint funding of infrastructure projects between the federal government and the provinces possible. Of the \$33 billion included in the Building Canada plan, more than half or \$17.6 billion is earmarked for municipal governments through transfers from the Gas Tax Transfer and rebates of the GST. In the case of Western Canada, this amounts to almost \$3.4 billion over seven years. As well, a further \$3.1 billion will be available for provincial infrastructure projects, bringing the total federal funding for infrastructure renewal to over \$6.5 billion over the next seven years. In detail, the funding breaks down like this:

Western Canada Funding:

Building Canada Fund	
• Communities	\$359.488 million
• Major Infrastructure Component	\$2,036.212 million (per capita share)
• Provincial Base Fund	\$700 million
• Red River Floodway Expansion	\$141.50 million
• Gas Tax Transfer	\$3,374.54 million
• Municipal Rural Infrastructure Fund	\$58.45 million
• Total Funding	\$6,528.69 million

It is also important to note that in fiscal 2009-2010, the amount of money available for municipal infrastructure projects will double from \$285.5 million to just under \$571 million.

1.3 Hours of Service

Working through the CCMTA, a provincial and federal exemption process has been established to provide relief from the regulations. The CCA Road Builders Council submitted in June an application proposing an exemption for all winter maintenance, an increase in the gross weight of vehicles to 11,794 KG, and a full exemption for short-haul drivers that operate within a 160 km radius per day. The application was one of four received and is still with Transport Canada for a decision. The change in Ministers should mean we are unlikely to be given a definitive response before the end of the year.

1.4 Federal Immigration Reforms

Immigration policy and process in Canada is not construction friendly. We have a federal point system that places too much value on higher education and language proficiency rather than trade experience and occupational demand. Permanent entry into Canada through this federal door has become virtually impossible for construction workers because of this bias and a current back-log of more than 900,000 applicants. Many would-be permanent immigrants to Canada are being told to avoid the federal process altogether and seek to gain permanent residency through provincial nominee programs.

There have been some modest improvements with the introduction this year of the new **Canadian Experience Class** that allows foreign workers already working in Canada under temporary visas to apply for permanent residency without having to leave the country and without having to challenge the point system.

In addition, through CCA's efforts, a number of reforms were made to the Temporary Foreign Worker Program over the past year that facilitate the entry of temporary foreign construction workers. As well, through an arrangement between Canada and Mexico and participating provinces, there is a new facility by which Mexican workers can work on a temporary and seasonal basis in certain sectors including construction.

2. LOOKING FORWARD

2.1 The New Parliament

The re-election of the Conservative Government has done little to restore stability in Ottawa. The events leading up to the prorogation of Parliament just two weeks after the Government's most recent Throne Speech has thrown

Ottawa into chaos. Though the Governor General has prorogued Parliament to permit MPs to refocus, there is little evidence that the next session of Parliament will be any more cordial than the last.

The change in the leadership of the Liberal Party will make them a much stronger opposition, and should the coalition with the NDP and the Bloc Quebecois hold, potentially the new governing party in early February. Mistrust of the government is now pervasive, and short of some significant concessions on the part of the Prime Minister, it is unlikely his government will survive a confidence vote on the upcoming Budget.

Notwithstanding the current mood, the Prime Minister only needs to persuade 11 MPs to vote with his government or ensure the absence of 19 opposition MPs to pass legislation. While this may not be possible on all votes, it may be enough to get the upcoming Budget through in January and avoid an early election or change in government through the opposition coalition. That said, even if the Conservative government survives the vote in January, relations with the opposition parties are now so poisoned that the prospect of a spring election is becoming ever more likely.

2.2 The New Cabinet

In selecting his new Cabinet, the Prime Minister's clear goal was to send Canadians the message that economic management is paramount to the new government. Most of his choices for the key economic portfolios are experienced ministers who did well in managing their portfolios in the past Parliament. Of significance to CCA are:

i) Minister of Finance

The Honourable Jim Flaherty

Retaining Minister Flaherty at the critical Finance portfolio was engineered to reassure jumpy financial markets and guarantee policy continuity throughout this difficult period of financial instability. From a CCA perspective, his reappointment is helpful as he knows the industry well and appreciates its importance to the economy, particularly in difficult economic times where the industry can provide a significant boost to the economy through public sector investments in infrastructure development.

ii) Minister of Transport, Infrastructure and Communities

The Honourable John Baird

The appointment of Minister Baird to the department responsible for infrastructure funding sends a strong signal that the government is serious about accelerating the delivery of the infrastructure money already booked in Budget 2007. Minister Baird is known as a "no nonsense" minister with a reputation for overcoming bureaucratic inertia and should be successful in the delivery of his new and challenging mandate.

iii) Minister of Citizenship and Immigration

The Honourable Jason Kenney

The appointment of Minister Kenney is also a strong signal to the immigrant and business communities that the government is serious about improving Canada's immigration system. Minister Kenney is known as a quick thinker and someone who thinks outside the box. He found unique ways to overcome challenges in his last position (as evidenced by his management of the Brenda Martin case) and has a strong relationship with the Prime Minister.

iv) Minister of Human Resources and Skills Development

The Honourable Diane Finley

The move of Minister Finley back to the Department of Human Resources and Skills Development is also a signal that the government is serious about addressing Canada's labour shortage challenges. Her experience as the former Minister of Citizenship and Immigration and knowledge of the pending skills shortage crisis should make advancing CCA recommendations from EI reforms to the expansion of the Apprenticeship Tax Credits system to non-Red Seal trades a little easier.

The key theme for the new government will be economic management and minimizing the impact of the current global financial crisis on the federal treasury. Every new policy proposal will be seen through this lens meaning in all likelihood very tight fiscal discipline on the part of the government and no new spending initiatives unless they have already been booked. From a CCA perspective, this means that new initiatives such as more money for colleges or new tax measures (i.e. an increase to the capital cost allowance for diesel vehicles and equipment) may be more difficult in the current environment and may require a more long-term lobbying approach.

3. LOOKING FORWARD

The government's recent Speech from the Throne contained a number of important themes that fit with a number of CCA priorities. While not specific, they are broad and can assist us in opening a dialogue with ministers and officials to help promote reforms in these key areas.

CCA PRIORITIES

3.1 Hours of Service

The most pressing priority for CCA over the next six months will be the pursuit of a federal exemption for the road-building sector from the Hours of Service regulations. During our initial meeting with Minister Baird, the Minister

appeared open to the idea of working with CCA on a federal exemption. The Minister was very interested in hearing about the existing regulatory framework across the country and asked for additional information from CCA regarding the reaction from the driver community to potential changes to the federal Hours of Service regulations.

Recently, the Treasurer of the BC Teamsters wrote Minister Baird expressing strong opposition to the exemption on the grounds of science. A CCA response to the Teamster letter has been sent to the Minister.

CCA is also working with provincial road-builder associations, particularly Alberta and British Columbia, to advance a meeting with the four western provinces to discuss a harmonized exemption along the lines of what CCA proposed at the federal level. If successful, CCA would then seek to apply these results across the country.

3.2 Tax and EI Reforms

While the current global financial crisis will have a considerable impact on the flexibility of the federal government to make additional changes to tax policy, several proposed CCA reforms can be characterized as pro-competitive measures that if implemented will help encourage spending and make the economy more competitive. In the recent Throne Speech the Government stated:

*“Our Government has already cut taxes to lower costs for business and help them compete and create jobs. To further reduce the cost pressures on Canadian business, our Government will take **measures to encourage companies to invest in new machinery and equipment.**”*

Building on this government goal, CCA will be advancing the following recommendations for the government's spring budget:

- i) Amend the current Accelerated Capital Cost Allowance regulations to restore the depreciation rate on diesel powered vehicles and equipment from the current 30 percent to a 50 percent rate. This will help encourage Canadian industry to replace older, less fuel-efficient equipment with newer and more environmentally friendly equipment and vehicles. Uptake of this measure will help Canada's manufacturing sector and boost flagging retail sales.
- ii) Amend the current Revenue Canada interpretation of the employer-provided vehicle rules to obtain more equitable tax treatment for employees that utilize these vehicles for commuting to job sites.
- iii) Eliminate the employer multiple for EI payments (i.e. restore the ratio to 50-50 employee-employer).
- iv) Introduce a yearly basic exemption for the EI account.
- v) Create a mechanism for refunding employer over-contributions to the EI account.

With regard to an accelerated capital cost allowance, CCA is pursuing an increase in the current depreciation rate from 30 percent to a 50 percent straight-line depreciation. CCA is working with the Canadian Trucking Association and the Association of Equipment Manufacturers to advance this position.

3.3 Infrastructure Renewal & Borders and Gateways

The government has indicated a strong interest in moving forward with the rapid implementation of its Building Canada plan. The Prime Minister has made it clear that he intends to use infrastructure spending to stimulate Canada's stalling economy, a measure clearly supported by Premiers across Canada. In the recent Speech from the Throne, the government stated:

“Public infrastructure is vital not only to create jobs for today, but also to create the links between communities and regions to help generate jobs for the future. Our Government is committed to expediting our Building Canada plan to ensure that projects are delivered as quickly as possible.”

The new Minister of Transport, Infrastructure, and Communities is keen to accelerate the pace of funding and has initiated discussions with his provincial counterparts as to how best to achieve this goal. CCA has offered the new Minister our full support, and we expect to work closely with his office and our members in the promotion of new infrastructure investments across Canada. In this context, the Minister has asked CCA to encourage its members to draw to his attention any extraordinary delays in project approvals, which CCA committed to do.

With regard to gateways and inland ports, the appointment of Peter MacKay as the Atlantic Gateway Minister is another positive sign of the government's increasing interest in developing a network of national regional gateways to help facilitate the movement of goods across the country. CCA will work closely with our members to continue to promote and advance the development of these regional gateways with the new government.

3.4 Enhancing the Effectiveness of Foreign Trade Zones in Canada

The current legislative/regulatory environment in Canada prevents the establishment of effective Canadian “foreign or free trade zones” (FTZs). FTZs in other countries, including the U.S., assist greatly in attracting foreign and international trade investment because of the distinct advantages they can offer.

With the recent Throne Speech, the government restated the importance of trade to Canada and committed to taking steps to expand opportunities for Canadians to benefit from foreign investment. Specifically, the government committed to:

*“Our Government will **also expand the opportunities for Canadian firms to benefit from foreign investment** and knowledge, while taking steps to safeguard consumers and our national security.”*

While this statement makes no specific reference to Free Trade Zones, it can be viewed as committing the Government to ensuring its legislative framework maximizes the opportunities for Canadians to benefit from foreign investment, and in this context, CCA will argue that the current FTZ legislation **does not expand the opportunities for Canadian firms to benefit from foreign investment** as much as it could if a more competitive free trade zone regime were adopted by Canada. CCA will also be pursuing with the Canadian Manufacturers and Exporters (CME) the establishment of a national coalition to address the legislative and regulatory reforms required to permit effective and competitive FTZs in Canada.