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“PRE-BUDGET CONSULTATIONS”

by

THE BRITISH COLUMBIA AND YUKON TERRITORY – BUILDING AND CONSTRUCTION TRADES COUNCIL

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Introduction

For the last six years the annual United Nations Quality of Life Index has ranked Canada as the best place in the world to live. This year our country dropped to third place. The down-grade on the UN index was a result of Canada's low ranking on a poverty index published this year by the Organization of Economic Co-operation and Development. Recent statements from the Prime Minister that support a renewed attack on poverty are hopeful signs. This is good news, not for redeeming the country's number 1 ranking, but rather for the millions of Canadians and their children stuck in a life of misery.

The focus of this year's Pre-Budget Consultations on the 'new economy', equal opportunity, and strengthening the socio-economic environment for the benefit of all Canadians' enjoyment are important discussion points. They should lead us towards developing policy to combat poverty.

The Canadian Department of the Building and Construction Trades Council has already outlined concerns about the Canadian economy, taxation, monetary policy and social priorities in the budget. In this presentation the BC and Yukon Building Trades want to restate some of our concerns about the need to build a national economic policy to foster economic well-being for all Canadians. We will also talk about issues with particular relevance to our province including the impact of High-tech development for the BC construction industry, social housing for the homeless, funding for the long proposed Trade and Convention Centre, the impact of federal devolution and privatization (especially the skills development and training mandate of the HRDC), pipeline construction for oil/gas exploration and finally initiatives to stimulate the ship building industry.

Globalization, Tax cuts and Poverty

In his speech to the G20 last fall, the finance Minister Paul Martin hinted at the downside to Globalization. The Minister said "But the fact is, that globalization, if its benefits are limited only to a privileged few, is not going to work. It's not fair".[1] Boosts in foreign investment do not naturally equate to mean increased wealth. In 1999, foreign investment jumped to $865 billion from $640 the year before. Unfortunately 83% of this went for mergers and acquisition. Instead of helping poor workers the foreign consolidations lead to plant closures and layoffs, according to data from a UN Conference on Trade and Development report.[2] In spite of the 'new economy's' adverse side effects, federal taxation policy has willingly followed the popular global prescription: tax cuts. The evidence in now in. Tax cuts have done nothing to help the poor.

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[1] *Globe and Mail, October 25, 2000, p. B12*
[2] *Vancouver Sun, October 5, 2000, p. D2*

Studies by the Centre for Social Justice and the Canadian Centre for Policy Alternatives have shown that tax cutting policies of the federal government have disproportionately benefited the rich. According to economist Armine Yalnizyan, three-quarters of the federal government's tax-cuts will go to those households earning more than $65,000.[3]

A news story earlier this year shocked many when it reported that 3,230 Canadians who earned more than $100,000 a year paid no federal income tax. This was a 28% increase over 1997 when 2,520 people with the same income paid no federal tax.[4]

The fact is that Canadian taxation rates are not out of line when compared to other OECD countries. As a percentage of GDP Canadian taxation rates fall roughly in the middle. Tax rates in Canada equal 36.8% of GDP. This compares with U.S. tax equal to 28.5% of GDP and tax rates in the European Community of 42.2% of GDP.

As mentioned, the problem with tax cuts is that the wealthiest, the least needy, are the ones who wind up with the biggest benefit. Estimates by the United Steelworkers economist Hugh Mackenzie show that 70% of

[3] *Globe and Mail, November 22, 2000, p A5*
[4] *Vancouver Sun, April 12, 2001, p. A5*

Canadian taxpayers will receive about 36% of the benefits of the five-year, $58 billion, tax cut plan outlined in Budget 2000. The other 64% of benefits will go to the highest 30% of taxpayers. The 2% of taxpayers with incomes above $100,000 will receive 19% of the benefit from the tax cut.

Finance Minister Martin deserves some credit for the commitment to re-index tax rates. Encroaching inflation has deteriorated the value of existing tax credits for the poor. Thresholds available to those on low fixed incomes also needed updating. Here again, however, it is the wealthy who will benefit the most. The Canadian Council on Social Development point out that the rise in the tax threshold cutoff from $29,590 to $35,000 provides insignificant savings for low-income earners. Meanwhile raising the threshold of the top bracket, will save up to $1,200 for those with incomes over $70,000.[5]

Rather than placing so much emphasis on tax cuts the federal budget should offer more opportunity for everyone to succeed. The unequal access to opportunity has been the theme of work by economist Armine Yalnizyan, of the Centre for Social Justice. Yalnizyan has charted increasing income inequality for Canadian families over the past decade. Yalnizyan reports that in 1989, 30% of families registered an after-tax

[5] *CCSD Position Paper the 2000 Federal Budget*

income of less than $35,038, yet by 1997 more than 37% of families found themselves in this income bracket. According to Yalnizyan the poorest 10% were even worse off. In 1989, the poorest 10% had an average after-tax income of less than $15,596. By 1997 their after-tax income had fallen to an average of $13,806.[6]

Increasing levels of poverty coincide with another dramatic change, the shift in age groups suffering poverty. Research from the Canadian Council on Social Development shows that the elderly are now more able to resist poverty. Today, Canada's poor are more likely to be young people. In 1981 roughly 22% of families headed by parents under the age of 25 fell below Statistics Canada's poverty line. By 1997, 46% of these same families were poor. For parents in the next age group, those between the ages of 26 and 34 years, the percentage of those living in poverty increased from 12% to 19% over the same time period.[7]

More young families living in poverty naturally leads to an increasing rate of child poverty. According to the UN Children's Fund, Canada now has the 17th worst rate of child poverty of 23 industrialized countries surveyed. Poland, Spain and Hungary all had lower incidences of child poverty than Canada. With 15.5% of Canadian children living in poverty we faired

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[6] *Canada's Great Divide, Centre for Social Justice, January 27, 2000*
[7] *The Province, July 20, 2000, p. A13*

better than Ireland, Britain, Italy, the USA and Mexico.[8] A recent study, which appeared in the Canadian Medical Association Journal, reported that 57,000 Canadian families did not have enough food at some point during the year. The study found that 34% of hungry parents skip meals or deliberately consume less so that their children can eat more. Meanwhile the 700 food banks across the country now dole out emergency rations to double the number of people they served ten years ago. Last year some 726,902 received packages from food banks.[9]

Announced changes to the Canada Child Tax Benefit (CCTB) contained in last year's budget were long overdue. Still, in spite of the announcement the Canadian Council on Social Development and National Council of Welfare together note that the current design of the CCTB system means that only one third of poor families with children will benefit from the current child benefit. Provincial and Territorial governments will be clawing back these coming gains and supplements from social assistance cheques. Almost all of the children growing up in the estimated 1 million Canadian households receiving social assistance will continue to experience poverty in spite of the federal budget five year plan.[10]

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[8] *Globe and Mail, June 13, 2000, p. A2*
[9] *Globe and Mail, October 17, 2000, p A5*
[10] *CCSD, Position Paper, p. 4*

As stated in the opening remarks the recent OECD report shows that Canadian poverty is dragging down the entire country. In comparison to the other 12 OECD partners, our country ranked a dismal 10th on the measurement of persistent poverty. The statistics show that 8.9% of our population never claws its way out of poverty. Poverty in the United States is worse. In the U.S. some 14.5% are permanently poor. The lowest permanent poverty rate is in Denmark, at 1.8%.[11] The Scandinavian countries are the best at fighting poverty. The social welfare 'cradle to grave' model still in place throughout the northern European countries largely explains Norway's number one ranking in this year's UN Human Development Index.

Restoring Social Programs

Restoring funding for health care has been the most prominent of the social program spending plans. Canadians continue to support social programs in spite of a barrage of editorials and opinion columns against our social safety net. The Fraser Institute leads the pack in media attacks against national universal social programs. Of all social programs the one which receives the strongest popular support is Medicare; 72% support in an Angus-Reid survey.[12] Yet the struggle for equitable federal contributions for Medicare is still unresolved. Intermittent promises, such as

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[11] *Globe and Mail, July 16, 2001, p.B9*
[12] *Globe and Mail, February 19, 2000, p. A1*

the pledge in October, 2000 to increase CHST transfers by $4.7 billion a year for the next five years, have provided some immediate relief. The problem is that the provinces are still being shortchanged on transfers to support Medicare. What the provinces require is a restoration and indexation of the base cash transfers. The Federal government argument that funding levels have been restored to 1993 levels is spurious after factoring for inflation over the last seven years. Federal contributions to BC health care today make up just 14% of the total cost. Prior to 1994, federal CHST transfers accounted for 18% of Medicare costs. Now is the time for the Federal Government to restore funding as envisioned under the Canada Health Act. The provinces are tired of having to beg for their entitlements and Canadians are tired of the uncertainty provoked by intermittent federal political decisions.

In the meantime propaganda to privatize medical treatment is being backed by investors of US styled Health Management Organizations, by media opinion makers and by despairing Canadians and their families who painfully wait up to a year to receive required surgery. If the Federal government is sincere about its commitment to universal, accessible and affordable Medicare they must restore stability to funding. A couraged stand for principle is, in this case, more important than registering political advantage.

Employment Insurance is another area of enormous concern to the Building Trades. Restructuring of the Unemployment Insurance program in 1996 has been a boon for the Employment Insurance surplus. Since 1996 the EI fund enjoys annual revenues of over $5 billion more than expenditures. The surplus is now estimated at over $35 Billion. As we know this excess is matched by an equally precipitous fall in the number of unemployed entitled to claim benefits: from 83% in 1990 to just 33% today. Close to 1 million unemployed Canadians are disqualified from EI benefits despite their faithful contributions to insurance premiums.

For construction workers the 1996 amendments to Employment Insurance were an especially bitter pill. Our employment is dependent on the cyclical ambiguities of the economy. For four years the Building Trades lobbied the federal government to review the restrictions placed on the EI. Happily our efforts have paid off. Earlier this year the government acknowledged the merit in our arguments and have largely addressed the construction industry concerns. We are still waiting for the government to act on recommendations to remove the two-week waiting period requirement for apprentices.

Infrastructure Investment

BC and Yukon Territory Building Trades unions have been particularly disappointed with the insignificant expenditures allocated in last year's budget for the building and repair of municipal, provincial and national infrastructure projects. Ignoring the problem of the disintegration of our national highways is not an option. In order to restore the 9,000 kms of crumbling highways, 790 bridges in need of strengthening, and the rehabilitation/widening of the National Highway System (only 25% of which is now divided multi-lane highway), Transport Canada estimates the need for over $17 billion in expenditures. The five year plan in the year 2000 budget projected annual allocations of $500 million for infrastructure works of which just $150 million will go to highways. The investment commitment by the Federal Government for highways is modest to say the least.

The BCYT Building Trades have been an active participant at the National Climate Change Transportation Table. Finance committee members should be aware that investment in highways rehabilitation does not run counter to our goal to reduce CO2 emissions. On the contrary, BC Ministry of Highways and Transport Canada studies independently show that investment in highway improvements will help to reduce emissions. Pot holes, crumbling road surfaces and broken bridges lead to greater fuel consumption, increased emissions and cause unnecessary damage to vehicles. Smooth road surfaces, new High Vehicle Occupancy Lanes, dedicated Bus Lanes, Bicycle Lanes/Paths, and Park 'n' Ride lots are infrastructure works that help to reduce CO2 emissions. Enabling commuters to use efficient roadways and find alternatives to one car, one driver commuter modes will reduce CO2 emissions from the transportation sector.

The disappointment over the lack of investment for highways renewal was compounded by the half measure for social housing. Since the one time special social housing allocation, announced in December 1999, there has been no budget for relieving the problem of the homeless. Of the $750 million special allocation just $305 million was for the special needs of the homeless. This amount will barely cover the cost of additional emergency shelters in the 10 cities suffering from the highest number of homeless Canadians. The Federation of Canadian Municipalities has registered its disappointment with Federal government's paltry housing initiative. The Federation's call for 20,000 new affordable units, 10,000 renovated units and 40,000 rent subsidies is still unanswered by the federal government. Earlier this year the BC government released a study which showed that the cost of government services for a homeless person is around 30% higher than the cost of services for a person who moves from the street to a permanent address. "Preventing homelessness…would reduce government health-care and criminal justice costs," the report concluded.[13]

BC Infrastructure Initiatives

The High tech industry in British Columbia continues to grow at a faster rate than the economy as a whole. The latest figures available show that High tech GDP enjoyed annual growth of 6.2%, to a total of $2.6 billion. This compares with the GDP for the BC economy as a whole at $89 billion. High tech in BC now generates roughly 3% of provincial GDP.

High tech sector employment is also expanding quickly. Of the 1,480,000 in the provincial workforce (in 1999) just over 52,000 are employed in High tech industries. Employment in High tech grew by 10% over the previous year.[14]

High tech infrastructure development is increasingly important to the Industrial/Commercial /Institutional (ICI) sector of construction. Infrastructure development for work-space and educational facilities are contributing hundreds of millions to the BC construction industry. The Schroeder Properties' development, Tech-Park.com, at False Creek in Vancouver, will be worth $500 million. Other developments, such as the

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[13] *Globe and Mail, April 17, 2001, p. A 4*
[14] *The BC High Technology Sector 2000, BC Stats, p. iii*

Discovery Place Advanced Technology Research Centre or the eCourt High Technology Business Court have already contributed $35 million and $50 million, respectively, to the BC construction industry. Without a properly trained construction labour force development of High-tech support facilities will falter.

The federal government traditionally played an important role in the fostering of technical education and skills development. In recent years the federal government role in labour force development has eroded. Contracting out skills training directly to service providers has weakened federal involvement and monitoring in training. Provincial technical training institutions no longer receive direct funding from HRDC. The result has been a patchwork of training programs. HRDC field workers have no direct involvement with clients. There has been a collapse of global assessments of privatized training with the result that skills development is out of step with labour market needs. Private contractors set the priorities. Conflicts of interest between contractors are not unknown. Imagine the scenario of a private job-consulting agency sending its clients to its own training facility. It is also not unknown for HRDC to have funded programs in which clients have received training from non-accredited institutions. This bogus institution issues useless certifications. What transferability does training have if the private-for-profit training institute's certification is invalid? Failed devolution pacts with the provinces and privatization of services previously offered through HRDC has severely diminished the quality of federal involvement in skills development. It's time for the federal government to re-establish itself as a leader in the job-training field. Privatization of training doesn't work for working people.

As the US further develops its oil and gas production from the North Slope of Alaska, plans are being made to construct a new pipeline to deliver petroleum products to the lower 48 states. There are two proposals for the new pipeline. The Alaska Highway and the McKenzie Valley routes. Gas producers say that ultimately both lines will be needed and that choosing the first pipeline to be built should not be an issue to divide the country. These are big projects. It is estimated that the Alaska Highway route, at 2,800 kilometers and traversing several mountain ranges, will cost between $8 to $10 billion. First nation rights-of-way, environmental impact studies and financing are only some of the bigger challenges involved in the construction of a project this size. A shortage of skilled labour to build this project looms as another real obstacle for the project.

Building Trades construction workers have vast experience in pipeline construction. The environmental sensibility and strategic importance of this project demand that the job be completed to the highest quality standards. Project agreements on large projects such as this also contain guarantees against work stoppages and incentives to complete the project on time and budget. As we enter into more serious negotiations regarding the development of our northern gas and oil, the Building and Construction Trades Council urges the federal government to require that the project be built by a fully unionized construction workforce.

BC Shipyards received some good news earlier this year from Industry Minister, Brian Tobin. In June, 2001, the federal government announced measures to stimulate research and development, to provide new financing/loan insurance schemes, establish greater benefits and support for Canadian firms involved in offshore oil/gas exploration and other changes which will contribute to the revitalization of the BC shipbuilding industry.

Currently there are six industrial shipyards in BC employing about 1,200 workers. This compares with about 5,000 workers involved in the ship building industry across the country. Smaller yards in BC are taking advantage of a growing niche market for luxury yachts. In spite of its problems the development of the FastCat Catamarans by the provincial government has left a legacy for industry. A skilled labour force and updated ship building facilities make Vancouver and Victoria an attractive option for North American clients looking for economic and accessible shipyards. There is room for further federal involvement in the rejuvenation of the BC industry and we encourage the federal finance committee to support initiatives by the Industry Minister in this vein.

The delays caused by the on again off again expansion of Vancouver's convention facilities have been a loss for BC business and workers alike. The absence of facilities has also meant lost revenues for government. The difficulty for convention center development is the heavy reliance on public expenditures for seed capital. Once in place, however, convention centers have demonstrated tremendous benefits for government, business and the community at large. The Vancouver Convention Centre Expansion Task Force released a Business Plan for the current proposal last fall. The Task Force proposal has scaled back plans from the previous Portside project. The current proposal foresees a project to the west of Canada Place, on Coal Harbour. The Task Force estimates that the Convention Centre expansion will generate over 7,500 permanent jobs. New employment and other spin-off economic activity (e.g. food services) created by the new convention center will produce more than $1.5 billion in new taxation revenue after 30 years of operation. The entire cost of developing the project, $500 million, will be returned to taxpayers after 11 years of operation.

Construction employment created by the Trade and Convention Centre expansion project is very significant. The task force estimates that 6,702 person-years of employment will be created. Incremental revenues to government from the construction amount to $87.81 million. Some $44.84 million of this total will return directly to the federal government.

Proposals to expand Vancouver's Trade and Convention facilities have been more than six years in the making. The various options have been studied to death. What is needed now is the political will to provide the necessary funding. We can't afford any further delays on this project. It is time for the federal government to deliver on its long-standing promise to commit funding for the new Trade and Convention Centre.

Conclusion

For millions of Canadians the 'new economy' has been a failure. Family income in the 1990's has remained static or declined when compared to the growth decades of the 1970's and 80's. A study commissioned by the Canadian Centre for Policy Alternatives[15] concludes that Canadians are working longer hours at more precarious jobs for less pay than a decade ago. In fact the report found that over the last 20 years real annual

[15] *Falling Behind: The State of Working Canada, 2000*

earnings for Canadians working full-time have registered no increase. According to David Robinson, public policy director with the Canadian Association of University Teachers, “working people have been sharing very little of the gains from the new economy.”

The consequence of an over zealous application of libertarian economic ideology has been a disaster elsewhere in the world. In the late 1980’s New Zealand jumped at the opportunity to privatize many crown corporations and agencies. As the New Zealand government hastened to “get out of the way” so that business could get on with its job of creating wealth, the ‘market place’ became the only control on individual greed. Today New Zealand is the basket case of the western world. Its currency has dropped to less than 42 cents per US dollar. New Zealand GDP has lagged behind most OECD countries, posting the fourth worst growth in 1998. The social consequences of this economic experiment have been disastrous. It has meant bankruptcy for over half the farms and the highest suicide rate in the developed world. Meanwhile declines in health, education and social services have harmed the lives of hundreds of thousands of ordinary citizens.

While results of the Canadian response to the global challenge have been less dramatic than in New Zealand, the trend has been similar. Union economist, Andrew Jackson, observes that the government has long advocated a low wage strategy. Jackson notes that Canada has "the second lowest manufacturing wages among the seven leading industrialized nations."[16]

This submission has stressed the need for the next federal budget to pursue a policy independent from the doctrine of the 'neo-liberal free market' extremists. Canadians are tired of the 'new economy' dogma and are looking to Ottawa to restore and enhance the values on which the country was built. As we move forward in the new millennium we look forward to restoring participation from the federal government in the funding of social and infrastructure projects.

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[16] *Globe and Mail, May 11, 2000, p. B 11*