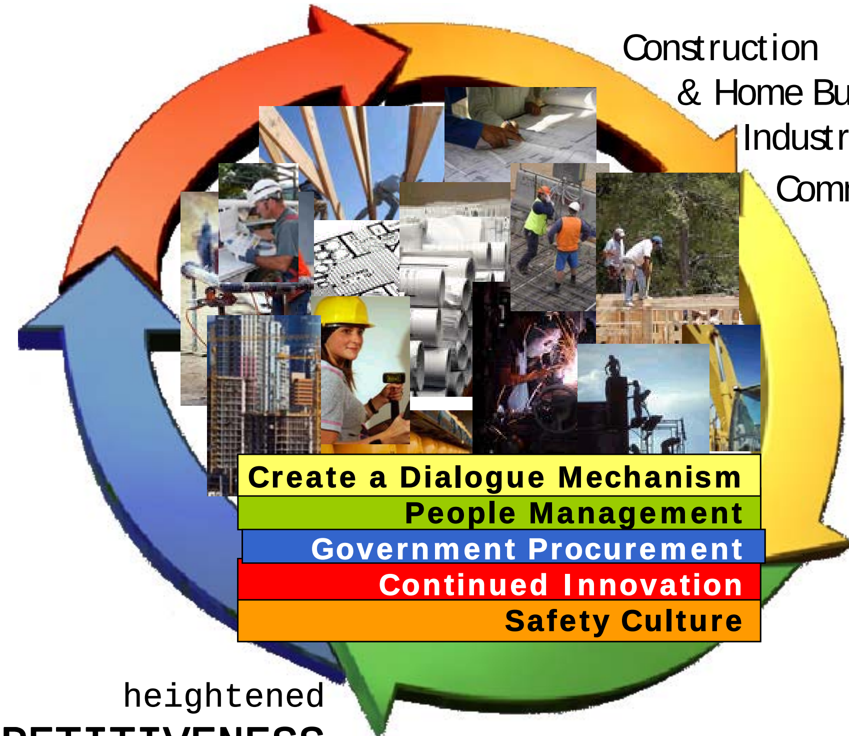
Construction
& Home Building
Industry Advisory
Committee (CHIAC)



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COMPETITIVENESS

Prepared for:

B.C. COMPETITION COUNCIL

Submitted to:
Mr. Dan Miller and Mr. David Thompson
BC Competition Council Co-Chairs

Submitted by:
Mr. Manley McLachlan
Chair, CHIAC
February 2006

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1. Message from the Chair

It is my pleasure to present the Construction and Home Building Industry Advisory Committee Report to the BC Competition Council. As requested, the Construction and Home Building Industry Advisory Committee (CHIAC) has reviewed the industry's current position, identified key forces that hinder growth and recommended workable industry and public sector strategies and actions that will improve the industry's competitiveness. This Report is a culmination of discussions and work by leaders in the industry who are dedicated to improving the competitiveness of the industry.

The construction and home building industry is a significant driver of the BC economy. This multi-faceted and diverse sector builds BC communities and has long played a major role in contributing to the economic well being of the province by building the infrastructure required for a prosperous future. As such, the level of competitiveness of the province is closely tied to the competitiveness of this sector.

These are exciting times for the construction and home building industry in BC. The unprecedented growth in construction in the province, fuelled by the 2010 Olympics, new home construction and renovations, commercial and institutional projects and major infrastructure projects, present obvious opportunities for the industry. However, this level of activity also has its challenges, including labor shortages in skilled positions, materials shortages, maintaining safety standards at every job site and meeting this high demand with quality product & service delivery. The committee acknowledges the commitment the BC Government has made to upgrading and enhancing the infrastructure of this province. Continued improvements to the highway infrastructure will address the critical flow of materials required by all industries including the key competitive advantage of timely delivery of construction material, products and hardware.

This industry is a complex multifaceted collection of enterprises with a generous mix of small medium and large companies. The industry features specialist and generalists in all phases of the construction process. With 30000 companies on the WCB registry the industry is substantial in size and scope and diversity. It is this diversity that poses the single largest challenge and potentially the industries very strength.

As chair of this committee I was given a daunting task in trying to reach all aspects of the industry while leading this committee through its mandate.

The committee was populated with employers, representatives of specific elements of the industry including a regional balance. Participation of individual members was subject to their availability in a very busy industry.

In order to insure the committee's deliberations were reasonable and representative of the broad industry, I invited twenty-eight individuals to act as a Resource Group to the committee[1]. The group was asked to use their networks within the industry to provide feedback. The group was provided with an electronic copy of drafts 3 and 5 and invited to submit comments directly or to participate in two web based conference calls to provide input into the document. While some individuals chose not to participate, input from the group was clear, concise and provided valuable insight and direction to the committee. In every sense, the final draft of this Report is a clear response from the industry.

The industry welcomes the opportunity to work with government partners to improve the industry and to make the BC economy more prosperous and vibrant. This Report contains realistic and practical strategies and actions that we believe the industry is committed to implementing. The Report also outlines how government can play a pivotal role in assisting the industry to increase its competitiveness. Together, we can build a stronger industry and province.

I wish to acknowledge the administrative support of Don White, Glen Scobie and the Competition Council Secretariat Staff within the Ministry of Economic Development as well as Gerry Meads of the Canadian Council for Innovation in Construction for his contribution.

On behalf of the Committee I want to recognize Susan Jarvis, our facilitator, consultant and writer for sharing her expertise, vision and uncommon understanding of the complexity of Construction and

[1] See Appendix 3 for complete description of the Industry Engagement Process

Homebuilding Industry. Her enthusiastic and efficient facilitation of our sessions kept us on track, on target and on time.

Finally, I wish to thank the members of the Committee[2] and the Resource Group[3] for their hard work and dedication to this important undertaking. Your leadership will shape the future of the industry for some years to come.

Manley McLachlan
Chair, Construction & Home Building Industry Advisory Committee

[2] List of Committee Members is contained in Appendix 1
[3] List of Resource Group contained in Appendix 2

2. Executive Summary

The British Columbia Construction and home building Industry includes residential (single family dwellings and large, multi-family units), commercial, institutional, road building and highway maintenance, bridges, civil and marine construction.

Today, over $80 billion[4] of projects are either under construction or in the design phase in the province.

In 2004, construction accounted for 5.9 per cent of the Gross Domestic Product (GDP) of British Columbia and was larger than Forestry & Logging and the Mining & Oil & Gas Extraction industries **combined**.

Over 210[5] various provincial government departments & agencies, local government agencies, industry associations, national organizations and insurance/design service industries are weaved together to deliver construction products to the province.

There were 166,000 people directly employed in the BC construction and home building industry in 2005. That's more than the number of people who work in agriculture, fishing, forestry and mining **combined.** Construction employment has risen steadily since 2001, jumping dramatically by 40,000 in 2004.

The industry has a shortfall of workers, and over the next several years, even more skilled labour in the areas of crane operators, carpenters, electricians, estimators, painters, plumbers, sheet metal workers and project managers will be required.

The Construction and Home Building Industry Advisory Committee's five key recommendations are:

1. Create a dialogue mechanism through the creation of a Ministry of Construction – immediately – by amalgamating all British Columbia construction and home building departments and agencies, except the Ministry of Transportation (which already has an effective

[4] Major Projects Inventory
[5] See Appendix 5, Industry Constellation

working relationship with its industry sector), into this new ministry.

2. Speed up the process to establish the new apprenticeship and training system and increase funding to that system to address labour shortages across the industry.
3. Streamline the government procurement process for construction capital expenditures to make it fair, consistent and more cost effective across all levels of the British Columbia government.
4. Explore options to champion innovation and applied R&D to advance the competitiveness of the industry.
5. Work towards creating industry-wide safe work practices and publish safety statistics to show progress is being made towards the industry's ZERO INJURY goal.

3. Construction Industry Defined

The construction and home building industry touches everyone's life in British Columbia from the office towers in which many of us work to our homes in which we live and even the roads and highways we travel upon in our daily routines. In fact, there is no sector of the BC economy that doesn't benefit from the knowledge, skill and efforts of the construction and home building industry.

Industry Diversity

The home building and construction industry, which is fundamental to BC's development, is diverse and expansive. It ranges from: the plumber or electrician who work alone on residential and small commercial projects, to contractors, consultants and building materials and product producers; to large engineering and construction companies that design and build large, complex projects. Over 210[6] various provincial government departments & agencies, local government agencies, industry associations, national organizations and insurance/design service industries are weaved together to deliver construction products and services to the province.

This industry's diversity is its strength. The uniqueness of each construction project, whether it is a sophisticated medical center, a production facility, a convention center / hotel project, a retail/office complex or a residential subdivision, presents different challenges and complexities that require a different construction solution. From the most challenging construction project to the "routine" projects, the industry's breadth, depth and diversity enables it to efficiently and effectively build the province.

The Construction industry in British Columbia is a complex mix of small companies, mid-sized companies and major international companies. Enterprises are built on the delivery of very specific services to the

[6] See Appendix 5, Industry Constellation

broadest reach of multi-faceted design and construction companies. Over 30,000 companies are currently registered with the Workers' Compensation Board, evidence of the broad base of employers in this industry.

Because of the very specific activities associated with the many elements of the construction process, many industry associations have been formed over time each representative of the employers engaged in those specific activities. Associations have been formed to represent employers' interests across a wide range of legislative and regulatory requirements including labour relations.

Despite this range of interests, the industry is built on collaboration. It is the nature of the construction process that demands collaboration from all industry players regardless of the nature of the process. Buildings do not rise out of the ground without the cooperation and collaboration of a wide and diverse range of individuals, personalities, interests and company profiles.

Governments have been prone to responding to issues within the industry by first looking for a common approach or one voice representative of the industry's position on any given issue. When unable to find that single position, the industry is portrayed as fractured and unable to get its act together. This is unfortunate in that the diversity of interests and positions within the industry is one of its great strengths. Rather, this diversity should be celebrated as an important characteristic that builds the fabric of BC's economy.

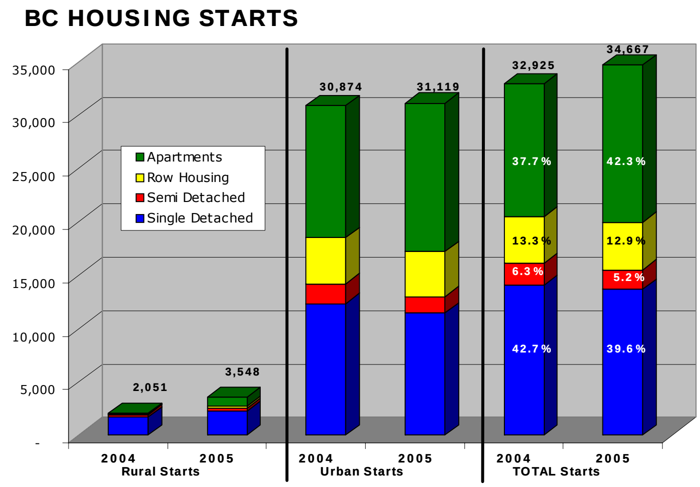
The CHIAC's work encompasses the following construction sub-sectors:

- *VERTICAL* construction – "Vertical" construction is all work above ground, including:
  - Institutional;
  - Commercial;
  - Industrial;
  - Residential (single, detached dwellings to large, multi-family units);
  - Civil;
  - Marine.
- *HORIZONTAL* construction – "Horizontal" construction is all work on flat ground, including:
  - Highways and Roads;
  - Bridges;
  - Sewer and water mains.

Importance of the Construction & Home Building Sector

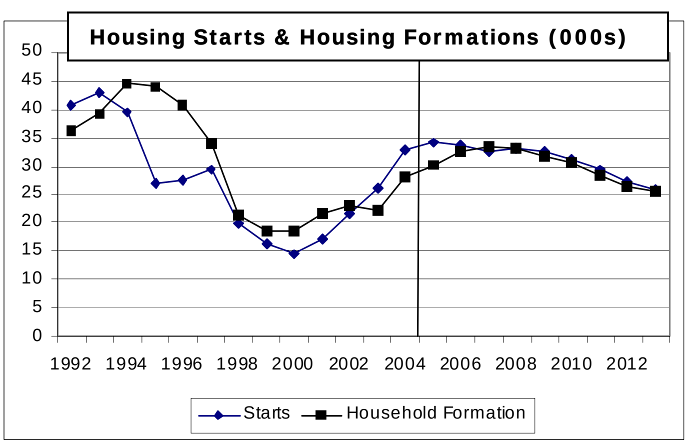
The capital cost of all major projects under construction or in the design phase in the province of British Columbia in 2005 was an estimated $80 billion.

RESIDENTIAL:
Builders in BC started 34,667[7] new homes in 2005, an increase of 5.3% from 2004. The composition of the starts is changing from the single detached home to apartment style homes (up 18.3%).



Source: CMHC, Housing Now, 2005 Fourth Quarter Highlights

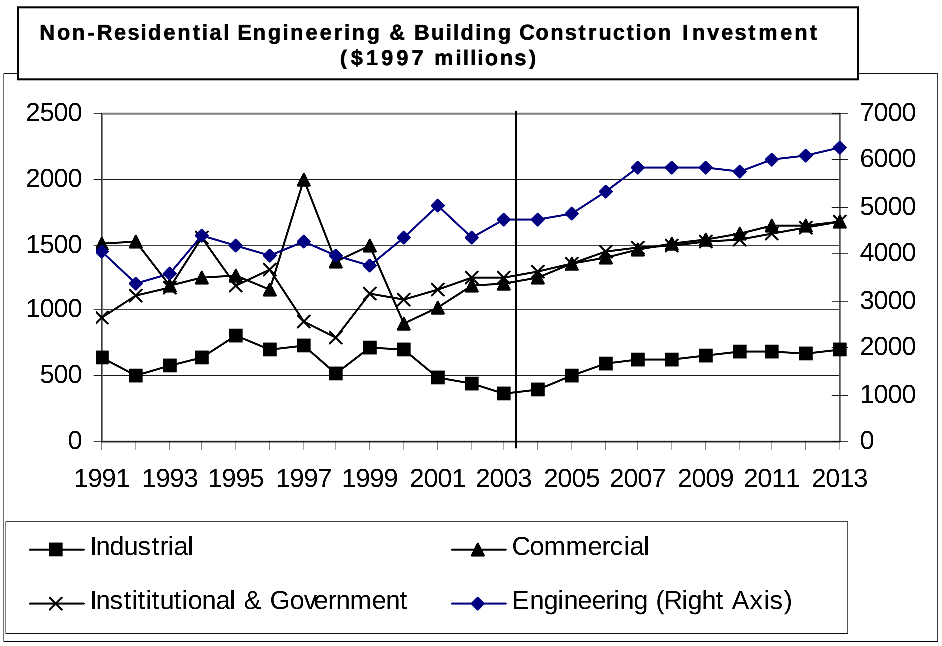
Residential construction in BC has been climbing steadily although it is now estimated that new construction may plateau at current levels with renovation activity sustaining the growth in the residential sector. The following chart illustrates the trends in residential construction from 1992 to today and the projected trends out to 2013[8].



> *"Broad-based economic growth has impacted nearly every comer of the province. High commodity prices are providing much needed economic spin-offs to interior communities, while unprecedented demand for recreation property by baby-boomers is fuelling new home construction in many rural areas. Employment growth, rising wages and persistent low mortgage rates continue to drive BC's housing market."*
> Cameron Muir, Sr. Market Analyst, CMHC
> BC Housing Starts Second Highest on Record
> January 10, 2006

[7] "Housing Starts Exceed 30,000 for the Second Consecutive Year", Housing Now, CMHC, 2005 Fourth-Quarter Highlights.
[8] Canadian Construction Sector Council, Labour Market Information, 2005.

NON-RESIDENTIAL:
The following chart illustrates the trends in the non-residential sector from 1992 to today and the projected activity out to 2013.
This sector includes industrial, commercial and institutional projects.
The trend lines are very positive and reflect the major projects inventory that tracks existing and proposed projects out to 2013[9].



The following chart, created in spring 2005, lists major projects by industry, category and each region. The consistent indicator here is that a significant amount of activity will occur across the province extending out to the year 2013. This is a strong endorsement of the sustainability of the industry over the next eight years. Projects that are included in the summary are valued at $20 million plus on the lower mainland and $15 million plus within the regions. This array of projects totals some $80 plus billion.

[9] Canadian Construction Sector Council, Labour Market Information, 2005.

Summary of Major Projects By Industrial Category* July–September 2005

Region	Residential Commercial	Transport. & Warehsg.	Mining & Oil & Gas Extraction	Utilities (including sewage treatment)	Mfg.	Public Services	Other Services	Total
1. Vancouver Island/Coast	84	4	5	13	–	13	4	123
2. Mainland/Southwest	225	28	–	18	1	34	26	332
3. Thompson/Okanagan	63	7	3	8	2	5	13	101
4. Kootenay	5	2	2	7	1	2	5	24
5. Cariboo	3	3	3	–	5	3	–	17
6. North Coast	1	7	7	9	1	1	–	26
7. Nechako	–	1	5	–	2	–	–	8
8. Northeast	1	2	8	5	1	–	2	19
Total	**382**	**54**	**33**	**60**	**13**	**58**	**50**	**650**

*Does not include 14 projects that were completed in July–September 2005
Industrial Categories follow the North American Industrial Classification System
Pipelines and transportation-related manufacturing are included in Transportation

The next chart, created in January 2006, is a summary of the capital cost estimates of projects in British Columbia that have either been started, completed or are on hold. It clearly shows the dramatic growth in the industry because an additional $20 billion was added to the previous spring 2005 estimate. The chart provides summaries of activity within each of the various regions of BC.

Summary of Capital Cost Estimates*—September 2005 ($ Millions)

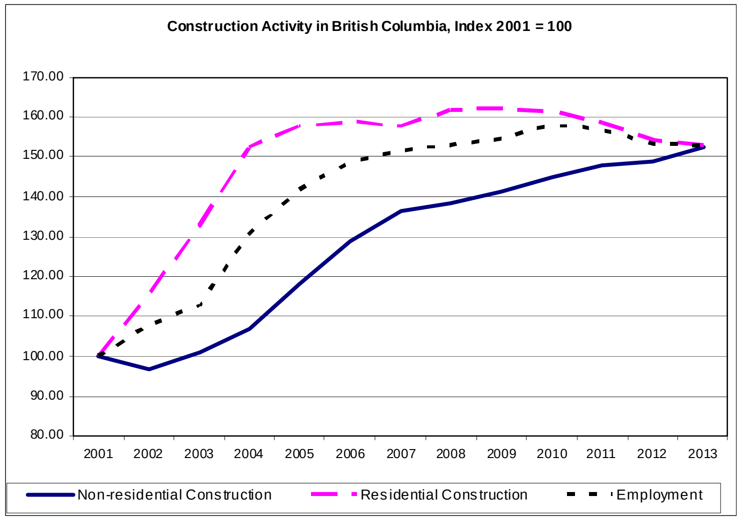
Region	Proposed**	Construction Started	Completed	On hold	Total
1. Vancouver Island/Coast	6,986	3,331	20	740	11,077
2. Mainland/Southwest	16,583	20,277	506	1,356	38,722
3. Thompson/Okanagan	4,448	5,993	–	790	11,231
4. Kootenay	1,437	2,084	–	84	3,605
5. Cariboo	5,070	470	80	100	5,720
6. North Coast	9,350	340	–	–	9,690
7. Nechako	322	104	–	470	896
8. Northeast	1,134	547	29	95	1,805
Total	**45,330**	**33,146**	**635**	**3,635**	**82,746**

*Capital cost estimates are obtained from public information, or may be estimated based on costs of similar projects.
**Projects that cross several regions (e.g. pipelines) are included in one region.

Source: Major Project inventory, Province of BC

Construction Looking Forward

The construction industry will benefit from what the provincial government has characterized as a "golden decade" for the economy in BC. As shown on this chart, building activity and employment rise 50% by 2013[10], which, by historical standards, is a large increase in a single decade. Employment tracks construction spending, rising to a peak during 2009 and 2010 and then declining slightly thereafter.



Sector GDP[11]

Construction accounted for 5.9% of the Gross Domestic Product (GDP) of British Columbia in 2004. Construction's share of provincial GDP has remained consistent between 5% and 6% since 1997. In fact, in 2004, the construction industry's percent of GDP was larger than the Forestry & Logging and Mining & Oil & Gas Extraction industries **combined**. The growth in GDP was more than 2½ times faster in the construction industry than it was for the overall BC economy in the five years ending in 2004.

BC GDP by Industry - NAICS Aggregations

Millions of Chained 1997 Dollars

Updated November 2005

	Industry GDP		Growth in GDP		% of BC's Total GDP	
	2000	2004	Total	Average Annual	2000	2004
Forestry and Logging	2,863	3,386	18.27%	4.28%	2.51%	2.67%
Mining, and Oil and Gas Extraction	2,821	3,726	32.08%	7.20%	2.48%	2.94%
Construction	**5,635**	**7,472**	**32.60%**	**7.31%**	**4.95%**	**5.89%**
TOTAL BC GDP	113,919	126,857	11.36%	2.73%		

Source: Statistics Canada & BC Stats, http://www.bcstats.gov.bc.ca/data/bus_stat/bcea/BCEAchnd.asp

[10] Canadian Construction Sector Council, Labour Market Information, 2005.

[11] As measured by GDP at factor cost

Sector Employment

There are 166,000[12] people directly employed in the BC construction and home building industry. That's more than the number of people who work in forestry, fishing, mining and agriculture combined. In fact, the construction and home building industry affects one in five

workers in BC. Employment in construction has been increasing steadily since 2001 and spiked in the past year when an additional 40,000 construction jobs were created. Workers in the BC construction and home building industry enjoy earnings totalling nearly $3 billion per year. Construction payrolls have grown an average 4.5%[13] annually since 2000.

The trends are expected to continue. The workforce in the sector is expected to grow to over 181,000[14] by 2010, an increase of 8.9%. As a result, the industry is projecting continued shortfalls in skilled trade workers. The expected growth in the industry will stretch the capacity of the current workforce. There will be more jobs than electricians, plumbers, carpenters, painters, sheet metal workers, estimators, and project managers over the next several years. In addition, the availability of out-of-province workers to fill this skill gap is expected to drop sharply at the same time.

Additionally, it is accepted that one construction job affects three additional jobs in the industries that support the construction sector (e.g. material suppliers, input manufacturers, inspection, etc.). Each of those supplier sectors will also face significant shortages of staff that will in turn affect construction activity especially in the areas of productivity and scheduling.

Growth in the Sector

Lower interest rates and rising incomes have fuelled a boom in residential construction. The fastest increase in expenditures has been

[12] Canadian Construction Industry Forecast 2006-2010, Canadian Construction Association, http://www.cca-acc.com/factsheet/stats1205.pdf
[13] *BC Profile – Economic View*, Provincial Pulse, ScotiaBank Group, December 5, 2005, http://www.scotiacapital.com/English/bns_econ/bnsprpr_bc.pdf
[14] Canadian Construction Industry Forecast 2006-2010, Canadian Construction Association, http://www.cca-acc.com/factsheet/stats1205.pdf

for new housing starts that doubled to over 30,000 in 2004[15] from 15,000 in 2000. Housing growth is expected to remain strong in 2006[16], fuelled by strong job growth and net inter-provincial migration.

Export of Sector Goods

The construction sector is primarily driven by domestic markets. However, some firms compete on the national arena as well as in the international marketplace.

[15] Labour Market Information, Construction Sector Council, April 2005
[16] *BC Profile – Economic View*, Provincial Pulse, ScotiaBank Group, December 5, 2005, http://www.scotiacapital.com/English/bns_econ/bnsprpr_bc.pdf

4. Strengths & Challenges for the Industry

These are exciting times for the construction and home building industry. Over $80 billion of projects are either in the construction phase or design phase in the province. This unprecedented level of activity presents both opportunities and challenges to the industry that are illustrated in the following S.W.O.T. analysis:

Strengths (Source of Competitiveness)

- The improved fiscal situation of the province, as shown by the current surplus and improved credit rating by Standard & Poor's (S&P), encourages investment in the province.
- The overall attitude in the industry specifically and the province generally is more positive and optimistic.
- BC generally, and Vancouver specifically, is a magnet for population growth.
- The industry builds the province's infrastructure.
- Tentacles of impact crosscut all sectors and industries. Therefore, the competitiveness of the construction & housing industry impacts all sectors in the economy.
- The industry works collaboratively and collectively to deliver quality product at competitive pricing to the buyer.
- The industry is primarily a SME (small to medium sized enterprises) industry with presence across the province and in every community
  - Means the industry is able to react and respond quickly to changes in the marketplace
  - Means the industry can deliver both small and large projects efficiently and effectively anywhere in the province
- There are a significant number of strong firms that are confident and competitive in the existing marketplace.
- Firms in the industry are getting more sophisticated at identifying risk.
- Improved investment in BC's transportation system will reduce congestion and will more effectively and efficiently move goods and people.
- Firms are good at resolving problems and tackling challenges.

Weaknesses (Source of Difficulty to Effectively Compete)

- Demand is outstripping the industry's capacity to supply construction services.
- Labour shortages are already a reality in the industry.
  - The aging demographics of the workforce will require significant workforce renewal and training.
  - The industry is competing for the same unskilled worker with other sectors in the economy.
  - When labour demand exceeds labour supply, wage inflation can be expected.
  - Skilled labour has migrated to Alberta and Ontario over the past decade.
  - Since demand for labour exceeds supply, worker mobility between employers has increased, resulting in decreased productivity and increased cost.
- There is a lag between getting the right training at the right time to provide the right skilled labour.
- In some sectors, specifically in the residential sub-sector, employers are hesitant to take on new apprentices or unskilled laborers because of financial cost and productivity loss.
- Because the industry is primarily populated with small to medium enterprises (SME), a low level of investment in R&D can potentially impact innovation in the industry negatively[17].
- The industry is primarily domestic focused, meaning its future is highly contingent on the economic activity levels in the BC.
- As more risk is placed / transferred from the owner to the contractor, the cost of construction across the economy will correspondingly increase. These new risk-transfer practices result in fewer bidders and increased cost.
- Parts of the industry do not use Information Technology (IT) to its maximum capability based on the availability of infrastructure in parts of the province.
- Escalating construction costs are creating the perception by some buyers that the industry is profit gouging when in fact it is only passing through cost increases imposed on the industry by global markets.
- There is an inconsistent safety approach, culture and work practices across the industry.
- Excessive lag time – 2 to 5 years – between purchase of property and rezoning adds cost and risk to residential construction.

[17] From the *Canadian Council for Innovation in Construction*, the industry in Canada invests 0.10% of GDP in construction R&D and the investment in Canada is falling. Sweden invests 0.58 % of GDP.

- The current government procurement process has increased the need for more legal due diligence resulting in greater cost in the tendering process.

Opportunities (Sources that Increase Competitiveness)

- The BC economy is in a 10-year growth cycle.
- In a buoyant economy, there are opportunities to find innovative approaches across the production process in the industry.
- Globalization offers BC construction firms new markets.
- BC is an important gateway to the Pacific Rim, fueling construction in transportation, storage and warehousing.
- Through the *Gateway Project*, which is building connecting infrastructure, the provincial government has recognized the opportunity to make freight more competitive by improving BC's ability to expedite goods movement from China to North American destinations.
- The 2010 Olympics have stimulated the BC economy.
- Global demand for key BC commodities is generating record job growth and rejuvenating housing markets in resource-dependent areas of the province.
- Expansion in the energy, tourism and technology sectors provides opportunities for increased commercial and industrial sector construction.
- Forestry reforms and industry restructuring will encourage expansion across the sector.
- E-business and information technologies provide significant opportunity for productivity improvements for the industry.
- Government is friendlier to investors and is more accessible and open to listening to industry.
- Steps have been taken to reduce red tape.
- Opportunity to explore new and innovative ways to get larger projects done (e.g. P3s, Construction Management at Risk, Design Build Method, etc.).
- Progress is being made in greening the industry. Further opportunity exists.
- Positive net-interprovincial migration fuels the residential construction sub-sector and is a labour source for the industry's growth.
- Low interest rates encourage housing starts and large plant investment and construction.
- Aging population requires different home amenities to improve accessibility, fuelling the renovation activity.

Threats (Sources that Diminish Competitiveness)

- Demand for construction services is exceeding supply: the demand is almost at the point of exceeding the capacity of the industry.
  - Causes resource dilution as skilled labour is stretched to its limits
  - Creates challenges in scheduling and puts pressure on delivering the product on time.
  - Exacerbates skill shortages. This in turn makes it difficult for the industry to increase supply capacity, introduces safety concerns, impacts productivity and creates re-work and material wastage.
  - Demand pressure may translate into material and labour cost increases.

> "*Increasingly complex building sites, rising construction costs and competition for skilled labour from 2010 Olympic and transportation related projects are hampering their [Vancouver & Victoria builders] efforts to supply more new homes to the marketplace.'*"
> Cameron Muir, Sr. Market Analyst, CMHC,
> BC Housing Starts Second Highest on Record
> January 10, 2006

- Globalization introduces a new source of competitors in the industry.
- Competition for labour across all sectors is increasing.
- Aging population and workforce in BC combined with lower birth rates and global competition will exacerbate the skilled labour shortage.
- Global competition for skill and talent provides opportunities for the highly skilled and is attracting them away from the industry.
- Uncertainty of the BC apprenticeship and training system threatens ability to meet skill needs in the industry.
- The worldwide demand for materials is causing price increases in the construction sector.
- Increasing fuel costs are impacting all construction costs.
- The industry is a lowest price industry
  - Can negatively impact the quality of the product produced by some firms in the industry.
- There is limited investment in R&D because of the SME component within the structure of the industry.
- The entry price to become a contractor in some disciplines is very low, enabling firms to supply services with less than required competence to do so.
- The industry has a large underground economy (primarily in single family residential construction)
  - Negatively affects quality, safety, standardization and image of the industry.

- As public owners adopt and adapt innovative tendering approaches, it could negatively impact tendering transparency. As these new opportunities are being explored, risk transfer can potentially increase cost.
- Imposition of the Development Cost Charges by municipalities on the up-front cost of a project instead of allowing the charges to be amortized over the life of the project puts added cost on residential construction.

The Committee worked through these strengths, weaknesses, opportunities and threats to determine the industry's key competitiveness issues.

5. Vision for the Industry

The CHIAC sees the future of the construction and home building industry possessing the following characteristics:

- A place with a positive and entrepreneurial environment that enables the construction and home building industry to grow.
- A human resource base that has the right number of skilled workers, with the right knowledge and skills, for the right need, for the right employer, at the right time, to the right standard.
- The construction and home building industry takes responsibility for its own prosperity and growth.
- Growth is achieved by capturing the opportunities presented by the drivers in the general economy - technology, people, environment and resources.
- Where addressing head-on the current issues facing the industry, we will create new and higher levels of value for all stakeholders – construction firms, employees, and buyers of construction services.

6. Decision Criteria

CHIAC established decision criteria to prioritize the exhaustive list of issues identified. For an issue to be considered for advancement to the Competition Council, that issue MUST HAVE a positive assessment in all of the following elements:

- **Cross-sectoral**: the majority of the 12 sectors being explored by the Council are facing the challenges of the issue.
- **Doability**: solution can be taken within 2-3 years.
- **Industry Commitment**: the industry is committed to taking action to resolve the issue.
- **Scope**: the issue has provincial scope.
- **Urgent**: the issue is pressing and action is required immediately.

Once an issue has passed the "MUST HAVE" benchmark, it will be prioritized according to the number of positive assessments received on the following six criteria:

- **Adds Value**: resolution of the issue will add value to the buyers of construction services.
- **Benefits**: resolution of the issue will benefit a large portion of the industry. Benefits are defined as improved productivity, more profitability, and more capacity across the industry.
- **Inclusive**: the issue impacts the majority of the construction and home building industry.
- **Perception**: the undertaking will improve the understanding and image of the industry, expand the awareness that the industry is an economic engine in the economy and serve to attract a future workforce.

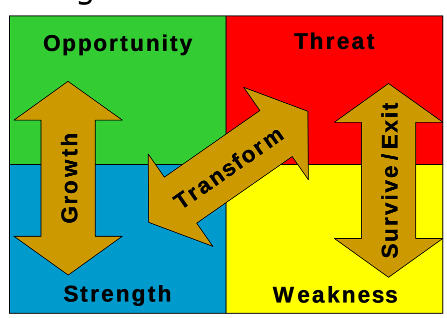
- **Quality**: resolution of the issue will improve the quality of the construction process as well as the quality of the products produced by the industry.
- **Safety**: resolution will increase the focus of safety to all stakeholders – government, buyers, workers, and owners.

The five key competitiveness issues identified here have passed this rigorous review.

7. Key Competitiveness Issues

Before the Committee began to determine the competitiveness pressures for the industry, members discussed the concept of competitiveness. The Committee created the following framework to guide its work:

- What is *Competitive Advantage?* It is defined as:
  - Doing something smarter and/or better than competitors.
  - Offering something that no one else can offer.
  - Offering a lower, profitable price to the buyer.
  - Adding value (determined by the customer) to satisfy the customer's needs.
  - Winning by offering better price, quality, and/or another competitiveness characteristic that meets the needs of the buyer in a better way.
  - Productivity – using resources efficiently and effectively.
- Where is competitiveness?
  - It is contained in the industry's people, process, relationships, equipment, technology, and suppliers.
  - It is in individual construction firms, groups of firms (partnerships / relationships), across the entire industry and between industries that buy products and services from the sector.
- How do you build competitiveness? Some strategies to consider:
  - Buy it from suppliers.
  - Partner with others who have strength in an area where you are weak.
  - Undertake continuous innovation.
  - Provide the same product / service to a new market and/or customer type.
  - Increase the quality / price ratio.
  - Use a strength to seize an opportunity.
  - Use a strength to neutralize a threat and/or transform it into an opportunity.
  - Work with other stakeholders to improve the overall competitiveness in the environment within which you operate.
  - Assist Government in its role of creating the platform from which firms compete.
  - Exit / stop areas where a threat exposes a weakness.



Within this framework, CHIAC considered many issues and barriers to competitiveness. The key competitiveness issues for the sector include:

1. Create a dialogue mechanism through the creation of a Ministry of Construction – immediately – by amalgamating all British Columbia construction and home building departments and agencies, except the Ministry of Transportation (which already has an effective working relationship with its industry sector), into this new ministry.
2. Speed up the process to establish the new apprenticeship and training system and increase funding to that system to address labour shortages across the industry.
3. Streamline the government procurement process for construction capital expenditures to make it fair, consistent and more cost effective across all levels of the British Columbia government.
4. Explore options to champion innovation and applied R&D to advance the competitiveness of the industry.
5. Work towards creating industry-wide safe work practises and publish safety statistics to show progress is being made towards the industry's ZERO INJURY goal.

Each key issue is detailed below.

8. Five Recommendations

CHIAC has reviewed a number of issues and has set out the following recommendations as priorities for the industry.

Recommendation #1

Create a Dialogue Mechanism

***ISSUE*:** Today, the industry interacts with a constellation of over 30 government departments and agencies to get its work done (see Appendix 5). Across this constellation, there are inconsistent approaches to serving the industry, conflicting and onerous red tape, slow response (and in some instances, failure to respond) to issues identified by the industry, duplicate efforts and delays in delivery of required government approvals. The buyers of construction services across the province bear the added cost of the inefficiencies from the current system.

To address these issues, the industry needs a dialogue and engagement mechanism with government so industry can share its diverse priorities and concerns with government on a regular and timely basis. The industry believes the best mechanism would be the establishment of a **Ministry of Construction** (six of the remaining 11 sectors being reviewed by the Council have such a Ministry[18]). This Ministry would amalgamate all construction and home building departments and agencies currently in government. The only exception will be the Ministry of Transportation, which already has an effective working relationship with its industry sector.

Benefits of the Ministry include:

- o Consistent service delivery to the industry.

[18] Forestry, Oil & Gas, Mining, Tourism, Pulp & Paper and Transportation

- Elimination of redundant and unneeded red tape, which speeds up service to the buyer and fetters out cost in the process.
- Because the construction sector plays a significant role in British Columbia's economic performance, a Ministry would focus government's efforts to oversee and assist the industry.
- Coalesces and builds government expertise in construction into a single point.
- Enables positive and constant relationship building between government and the industry.
- Facilitates fluid and constant sharing of issues and concerns.
- Provides an entry point / gateway for the many, diverse voices of the industry to be heard.
- Brings all stakeholders – labour, management, and government – to the table for problem resolution.
- Because the construction & housing industry builds infrastructure for all sectors, a more efficient and effective industry will positively affect every sector's competitiveness.
- A streamlined government sector puts money back into the budget for government to offer other initiatives focused on improving BC's competitiveness.

***CHALLENGE*:** Currently, there is no recognized mechanism for the construction industry to share its multi-faceted issues / voices to government for constructive dialogue. There is no one "go to" Ministry for all things construction related with the BC government. The Construction Ministry would perform a number of functions relevant to the vertical construction sector, including (but not as an exhaustive list):

- Government policy and priorities regarding the construction industry
- Industry training
- Regulatory oversight
- Procurement processes
- Champion innovation and R&D
- Building Code oversight and provide service to the industry on Building Code interpretation

This issue requires focused attention and action. CHIAC has set out the following doable plan to proactively create the Ministry:

<table>
<tr><th>INDUSTRY'S COMMITMENT TO ACTION</th><th>ACTION NEEDED BY GOVERNMENT</th></tr>
<tr><td>

Work with government on a joint task force to develop, within one year, the mandate of the new Ministry.
Provide government with a cost/benefit analysis of the Ministry from the industry perspective.
The industry will use the Ministry as its primary entry point and engagement point.
Work with Ministry to address industry challenges.
Pilot, in partnership with the Ministry, the development and implementation of an action plan to address the underground economy within the industry.

</td><td>

Work with industry on a joint task force to develop, within one year, the mandate of the new Ministry. Considerations:

Move the Housing Department from the Ministry of Forests & Range into the new Ministry of Construction.
Move the Homeowners Protection Office (HPO) intact from the Ministry of Forestry to the new Ministry.
Review the role of BC Bid in relation to the construction sector
Possible Mandate:

To promote the growth and development of the BC construction and home building industry through innovative programs and industry development initiatives

Through a cost/benefit analysis, ensure that the Ministry of Construction will create savings to government and provide value to the industry.
Pilot, in partnership with the industry, the development and implementation of an action plan to address the underground economy within the industry.

</td></tr>
</table>

RESULTING IMPROVEMENTS IN COMPETITIVENESS

- Construction and home building industry information and expertise is coalesced into a single, strong entity in government for improved service to the industry.
- The Ministry represents the construction industry more effectively and is able to positively influence government policy, priorities and practices that benefit the industry and improve its competitiveness.
- Government has access to industry expertise that will help to positively control a key government expenditure area – capital investment.
- Shrinking the underground economy will increase the tax base and improve the safety of the industry overall.
- Government services and processes serving the construction industry are streamlined for improved efficiency and effectiveness.

CONSEQUENCE OF STATUS QUO

- The duplication of effort in government, and resulting cost implications, will continue to put cost pressures on the provincial budget.
- The government's ability to create sound public policy that supports this crucial industry will continue to be fragmented.
- Industry's voice will continue to be muted and critical issues / challenges to improved competitiveness for the entire BC economy will be left un-addressed.
- Construction-related expertise within government will continue to be spread thinly over a multitude of departments and agencies, jeopardizing the intelligence gathering capability and service of government.
- With many departments and agencies controlling and delivering pieces of the service to the industry, it will be more difficult for the construction industry to benefit from the government's Modernization initiatives.

Recommendation #2
People Management

***ISSUE*:** The industry needs an efficient and effective training and apprenticeship system and culture to meet its current and future labour needs.

***CHALLENGE*:** The challenge is twofold:

- o The industry is experiencing a *trained* labour shortage; shortages that, if not addressed, will only worsen and will hinder the competitiveness of the industry.
- o Building a skilled workforce is challenging; training today is not meeting the needs of industry.

This issue requires focused attention and action. CHIAC has set out the following doable plan to proactively build people management capacity:

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
▪ Continued engagement with the Industry Training Authority (ITA). ▪ Endorse and utilize the new training system being built by ITA. ▪ Continue to produce, publish and distribute Labour Market Information (LMI) for the construction and home building industry. ▪ Encourage the industry to participate in the apprenticeship program by being an indenturing and/or sponsoring employer. ▪ Continue to expand the demographic composition of workers in the industry. ▪ Conduct consistent and persistent marketing of the industry to schools and colleges to attract young workers to the industry.	▪ Ensure the training system effectively engages and meets the needs of industry. ▪ Increase funding of the apprenticeship and industry certification programs significantly and quickly to address labour supply shortages. ▪ Add "completion rates" to the ITA's measurement matrices. ▪ Consider incentives (e.g. tax credit) to encourage firms to participate in training. ▪ Continue to work with the Federal government to improve and expedite the process of credentialing new, skilled immigrants.

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
	▪ Continue to work with the Federal government to expedite the immigration of credentialed skilled workers and to get that skilled labour through the immigration process in an expeditious manner. ▪ Continue to support the ability of public and private education & training institutions to supply training efficiently and effectively to the industry.

RESULTING IMPROVEMENTS IN COMPETITIVENESS

- An efficient and effective training delivery system that builds the right skills, to the desired standard at the right time.
- Skill shortages are mitigated.
- Labour is available to build the economy for all sectors.
- Labour is available to meet the anticipated 10-year growth cycle in BC.
- Labour that is skilled and able to build quality product that transfers competitiveness and competitive advantage to all sectors of the economy.
- Increased availability of trades and labour for other sectors that employ similar skills.

CONSEQUENCE OF STATUS QUO

- Labour shortages and skill gaps will widen. This will exert escalating pressure on the production capabilities of the industry and put into question the industry's ability to build the province's needed infrastructure.

Recommendation #3
Government Procurement

***ISSUE*:** Need to have a standardized procurement process for government capital projects, including:
- Standardized documents (with special conditions for unique project features);
- Consistent treatment of contractors;
- Transparent reporting.

***CHALLENGE*:** Various and different procurement documents and processes across all levels of British Columbia government have created an inconsistent, onerous, costly, and troublesome tendering process. The implications are:
- Increased tendering cost because it requires the industry to conduct more due diligence; and
- The complexity of the process discourages potential bidders from bidding. Fewer bidders on government projects means less competition and perhaps cost inflation.

This issue requires focused attention and action. CHIAC has set out the following doable plan to proactively improve the government procurement system:

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
▪ Work with Government to review the current fragmented capital procurement system at all levels of Provincial Funding to ensure a stable, open, fair and transparent use of capital spending. ▪ If changes to the current philosophy and bid system become necessary, the industry will work closely with government in re-engineering the process for improved quality, efficiency and effectiveness.	▪ Research and evaluate methods to include other non-subjective values in bid evaluations that maintain the fair and transparent tendering process. ▪ Make evaluation criteria for selection of contractors on every project clear and known to the industry early in the bid process. ▪ Make public the evaluation results, complete with the assessment of all bidders.

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
	▪ To ensure maximum efficiency and public accountability, government Ministry, Agency & Crown Corporation employees be restricted to undertake only regular maintenance work and that all Capital Construction and Major Maintenance Work and Services be publicly tendered to the private sector. ▪ Ensure the decision on the method of procurement throughout government Ministries, Agencies and Crown Corporations follows a rigorous and standard process to achieve a consistent and well-understood method of delivery. ▪ Funds for infrastructure projects originating from the Provincial Government that flow to local jurisdictions (e.g. municipal, regional districts) must be publicly tendered through the open and transparent tendering process.

RESULTING IMPROVEMENTS IN COMPETITIVENESS

- The Government's procurement system and process will produce maximum value and highest quality product for government and the people of BC.
- The procurement process is open, fair and transparent.

CONSEQUENCE OF STATUS QUO

- Inconsistent procurement methods will prevail. This will increase the need for and investment in due diligence efforts by the industry with resulting increased cost of construction for government.
- The number of firms bidding government projects will remain low. This may prevent government from getting the highest value for the cost of service.

Recommendation #4
Continued Innovation

ISSUE: Need action to increase the current level of innovation in the industry.

CHALLENGE: Innovation is central to competitiveness. Innovation is happening every day in the industry; those construction firms that are not innovating on a daily basis will fail. However, the industry does not invest sufficiently into R&D and innovation for continued and heightened competitive advantage. Specifically:

- o The structure of industries where significant investment in innovation and R&D takes place (e.g. manufacturing) is dominated by many large firms who have the capacity and depth to fund and undertake research. The construction and home building industry is primarily structured by small- and medium-sized firms which typically do not have capacity to consistently invest in R&D.
- o Applied R&D is required to constantly innovate technologies, materials, tools, and management approaches.

This issue requires focused attention and action. CHIAC has set out the following doable plan to proactively increase innovation in the industry:

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
▪ Identify common industry issues that require innovation and research. Undertake projects accordingly. ▪ Find mechanisms for the industry to act as a laboratory to test applied research.	▪ Champion research and development that advances the competitiveness of the industry (a possible function of the new Ministry).

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
▪ Create stronger connections with R&D agencies to direct their efforts toward research that benefits the construction and home building industry. This includes: o Develop an industry innovation plan to integrate, track and coordinate research being done with and by academic institutions. o Create an inventory of current research and develop a plan to better direct it towards industry needs. ▪ Create an applied R&D system (possible elements could include a foundation, fund, and/or institute) that is focussed on continuous innovation for the industry. ▪ Work to reach the SME companies to help them understand and use new ideas ▪ Support the efforts of the national *Canadian Council for Innovation in Construction.*	▪ Increase funding and investment into construction-related R&D at universities and provincial laboratories (e.g. building envelope science and delivery, green building process). ▪ Consider a tax incentive to encourage innovation. ▪ Help to fund the implementation of the industry innovation plan.

RESULTING IMPROVEMENTS IN COMPETITIVENESS

- Investment levels in innovation and R&D across the industry increases.
- All sectors of the economy reap the benefits resulting from a more innovative and efficient construction industry.
- BC's construction and home building industry leads the nation in innovative practices and productivity improvements.

CONSEQUENCE OF STATUS QUO

- Limited productivity improvements in the industry will continue, and will further erode the competitiveness of the industry. Since the construction industry serves all sectors in the BC economy, the erosion in competitiveness within this industry will have ripple effects on all sectors.

Recommendation #5

Create a Safety Culture

ISSUE: Need to build an industry-wide safety culture where ZERO INJURY is the goal.

CHALLENGE: There is an acceptance from industry of the need for continuous improvement processes in the area of workplace safety. In addition to the human costs, lost time due to injury is a competiveness issue and the industry is committed to investing in injury prevention and safe return to work practices as evidenced by the creation of two safety associations in the industry. Since small employers dominate the construction industry, the safety associations provide a centralized resource for expertise and programs. Increased attention and awareness of safety are critical to keeping safety initiatives moving forward, reducing WCB premiums, improving the perception of the industry and improving the ability to attract and retain a skilled labour force.

This issue requires focused attention and action. CHIAC has set out the following doable plan to proactively create a safety culture at all levels in the industry:

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
▪ Alignment of *Certificates of Recognition* (COR) across all safety associations in BC. ▪ Continue to support efforts of safety associations in the industry. ▪ Increase the percentage of industry firms that have achieved COR status. ▪ Publish safety statistics to show progress towards the ZERO INJURY goal. ▪ Create a minimum entry-level introduction to the construction industry that includes safety training.	▪ As a buyer of construction services, the BC government must take a leadership role in safety by making COR or pursuit of COR a qualifying requirement for all projects. ▪ Government continue to support financial incentive programs which encourage safety practises, similar to the WorkSafe BC incentive program for employers who professionalize their health and safety return to work programs.

INDUSTRY'S COMMITMENT TO ACTION	ACTION NEEDED BY GOVERNMENT
	▪ Work with industry and education partners to ensure existing safety programs are effective and reaching the target audience. ▪ WCB (worker safety) and the BC Safety Authority (public safety) to pass industry-related savings of improved worker and public safety results directly back to industry stakeholders.

RESULTING IMPROVEMENTS IN COMPETITIVENESS

- Worker injury in the industry is in constant decline.
- A greater percentage of the industry has achieved COR designation.
- The public no longer perceives the industry as unsafe.
- An improved safety culture will reduce the number and duration of injuries thus leading to reduced WCB burdens on labour costs on construction projects.

CONSEQUENCE OF STATUS QUO

- Workers in the industry will be compromised.
- WCB payouts at the current or higher levels can be expected.
- Safety-related labour cost burdens will escalate, which will directly increase the overall price of construction products across the province.

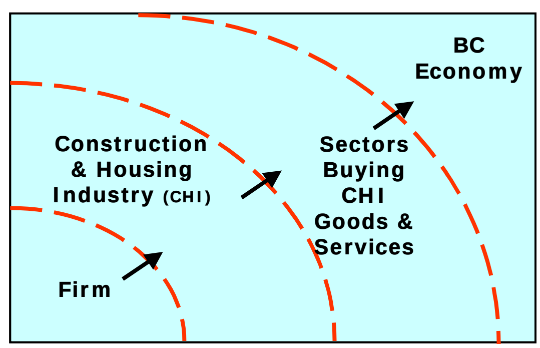
9. General Economy Issues

CHIAC identified a number of overarching issues that impact the whole economy (all 12 sectors) rather than the construction and home building industry specifically. CHIAC proposes that the Competition Council consider these broader issues to improve the overall environment of competitiveness across the economy:

- Continue to screen and review regulations to ensure they have a worker, consumer and/or public safety benefit for increased efficiency across the economy.
- Increase the level of funding into the apprenticeship training system to immediately create needed capacity to bridge industry's skill shortages.
- Continue to improve the taxation system to create a more competitive tax framework for the province.

10. Conclusion

The Construction and home building industry is encouraged by this Government's bold action and commitment to improve the competitiveness of the British Columbia economy. As a major player in the economy, the construction and home building industry significantly contributes to the overall competitiveness of BC. CHIAC has done its part in achieving the mission of the Competition Council - to identify barriers to economic growth, and to recommend solutions that can be taken by industry and/or government to overcome barriers identified.



The key issues identified here are indeed barriers to heightened competitiveness for the construction and home building industry. While the industry takes seriously its responsibility for its own future success, we believe that working closely with Government and with the other 11 targeted industry sectors is strategic and good business. Joint commitment and dedication to removing the barriers identified here will certainly improve this industry's ability to compete and will contribute to the competitiveness of the other 11 sectors directly. This will, by extension, BUILD a prosperous and vibrant province.

We now need to move to action. The barriers identified here limit the capacity and success of the construction and home building industry on a daily basis. We look forward to the quick and focussed action by the Competition Council and the Government and to working with them to jointly and collectively make this industry and the BC economy more competitive.

Committee Members

The following industry leaders dedicated themselves towards identifying issues that affect the competitiveness of the construction and home building industry. The industry wishes to thank them for their leadership, time and dedication in making the future of the industry brighter.

COMMITTEE MEMBER	Company	Bring to the Table
Robert Lashin	Houle Electric Ltd	Trade Contractor, Safety Authority
John Cunnigham	Columbia Bitulithic Ltd.	Northern BC, Road builder Standards and practices
Chris Erb	SupErb Construction	Residential, commercial and RCITO
Dee Miller	JJM Group	Roadbuilder, Safety Network,CCA
Steve Pavelich	Wilson M. Beck Insurance Services (Kelowna)	Surety and Insurance, Standards & Practises, Roadbuilder and commercial industry understanding
Wayne Peppard	BCYT-BCTC	Labour, Safety HR / Training
Pat Caporale	Caporale Construction	Residential Construction CHBABC
Anibal Valente	PCL Constructors Westcoast Inc.	ICI construction, Provincial national scope, CCA
John Knappett	Knappett Projects Inc.	ICI perspective, HR Training Standards and Practices
Dale Becker	Pacific Bell	Industrial, Roadbuilding Demolition Safety
Manley McLachlan	BCCA	Provincial Mixed Association

Resource Group

The following industry leaders were invited to be members of the Resource Group. The purpose of the Resource Group was:

- Assist the Committee in developing a very complete and comprehensive range of experience and vision
- The Resource Group will act as the Committee's:
    - Filter – what should and should not be included in the final set of recommendation to the Council
    - Sounding board – provide constructive feedback at each stage to ensure the key competitiveness issues of the industry were presented to the Council.
    - Gap identifier – identifying issues that the Committee may have over looked but that must be considered in their deliberations
- Provide the added perspective into the analysis of a larger representative group from across the industry
- Engage the industry in the review process and endorsement
- Broaden the perspective embedded into the final report without making the Committee so large that effective dialogue and discussion became difficult.
- Provide government with the confidence that the industry's concerns and issues from across the sector are reflected in the final report.

The organizations that were invited to provide feedback are contained below.

The following Resource Group were invited to provide feedback. However, not all participated:

Resource Group Invitees	Company
Bill Gyles	Kinetic Construction Ltd
Jerry Lampert	BC Business Council
Abigail Fulton	BC Construction Association
Bob Jenkins	Jenkins Marzban Logan
Bob Morrison	Construction Labour Relations Association of BC
Keith Sashaw	Vancouver Regional Construction Association
Roz Thorn	Northern BC Construction Association
Debbie Hicks	Southern Interior Construction Association
Blaine Lewis	Vancouver Island Construction Association
Dana Francis	Island Framers Limited
Dana Taylor	Mechanical Contractors Association of BC
Darryll McDonald	St Paul Guarantee
Dave Robertson	Infinite Source
Grant McMillan	Construction Safety Association of BC
Jack Davidson	BC Roadbuilders & Heavy Construction Association
Jim Brown	Ocean Concrete Products Limited
John deGoey	E. H. Emery Electric Ltd
John Murray	Steel Industrial Products Ltd
Ken de Rooy	A-1 Steel Div of A-1 Machine & Welding
Ken Hall	Kenar Electrical Ltd
Michael Demers	Jenkins Marzban Logan
MJ Whitemarsh	Canadian Home Builders Association of BC
Norm Streu	Alexander Holburn Beaudin & Lang
Phil Hochstein	Independent Contractors & Business Association
Richard Campbell	Electrical Contractors Association
Terry Brown	Greyback Construction
Warren Perks	BC Construction Association
Wayne Pye	Pye Construction Ltd

Industry Engagement Process

The following letter was sent to the Resource Group as a request for them to participate in this discussion process.

B.C. COMPETITION COUNCIL

Dear Committee members,

I am writing today in my capacity as Chair of the Construction and Home Building Industry Advisory Committee (CHIAC) to the Competition Council.

In the February 8, 2005 Speech from the Throne, the Government of British Columbia announced that a new B.C. Competition Council would be formed to review the province's competitiveness both on a sectoral as well as a regional basis, to identify barriers to economic growth, and to recommend solutions that can be taken by industry and/or government to overcome barriers identified. On March 30, the Honourable Gordon Campbell, Premier, announced the establishment of the Competition Council, appointing Dan Miller and David Thompson as co-chairs. In addition to the co-chairs, the Council included seven other private sector members, and one government representative; each brings a unique perspective and experience to the task at hand.

The Council's objective is to identify opportunities for attaining economic growth and sustainable strategic advantage for British Columbia's major industries. The Council will focus on actions that can and should be taken by industry and those that would most appropriately be undertaken by government to enhance the overall economic success in the medium and long term.

The Council has established an Industry Advisory Committee in each of the 12 industry sectors the Premier has asked the Council to review.

I was asked to take on the role of the Chair of the Construction and home building Advisory Committee and to assemble a committee to undertake the work required to assist the Competition Council to:

- Understand the Construction Sector;

- Identify the positioning that needs to be attained in the future;
- Identify factors that will either lead to further opportunity or eliminate barriers to achieving sustainable competitive advantage; and
- Table a comprehensive report that contains the industry's high priority issues and recommended actions for heighten competitiveness in the future.

It is important to note that the Council is not asking the committee to conduct a detailed qualitative analysis of the industry or provide an exhaustive list of industry issues. Rather the Council hopes to benefit from expert knowledge of industry leaders who can draw upon their first hand experience gained from day-to-day grappling with existing and emerging competitiveness issues and barriers.

I have recently contacted a group of industry leaders from across the province and from across the industry to sit as a committee member of the Construction and Home Building Industry Advisory Committee to the Competition Council. While each member has provided to me an indication of the level of involvement they could provide to complete this committee's work for the Competition Council, I respect the fact that we are all very busy people in a frantically busy business environment. Additionally The Competition Council is looking for a response within a very tight timeline. Keeping both of these elements in sight I am suggesting that the CHIAC would complete its work within a schedule that would end by December 31 include a maximum of 3 meetings.

I have engaged the services of a very experienced facilitator and can assure you that our process will be effective and efficient; meetings will be facilitated sessions.

As Chair, I have already directed resources to the collection of data and completion of research that will provide the CHIAC with background information on Construction industry competitiveness on a national and international basis. There is a significant body of work on competitiveness at these levels.

The Competition Council has provided a list of Factors for all 12 IACs that it believes affect an industry's performance. They are as follows in no particular order of priority:

- Investment
- Productivity
- Technology
- Globalization
- Training and Education
- Regulation
- Financing
- Workforce
- Market Constraints
- Infrastructure
- Land Tenure
- Taxes

The Council is looking for not just a listing of opportunities and barriers to competitiveness but also options and strategies that both Industry and Government can action which will be wrapped into recommendations that the Council will take forward to the Premier.

You have been approached because you each bring a perspective relevant to the work you do everyday, your involvement in industry associations and activities and the jurisdiction that you operate your enterprise in. As such you assist the Committee in developing a very complete and comprehensive report for the Council. I am asking you to assist the CHIAC in its work as a member of a larger Resource Group. This Resource Group would effectively be the filter and sounding board that the CHIAC would send its findings and considerations to in order to ensure that we have the added perspective of a larger representative group from within the industry.

I would suggest that there are a number of obvious starting points in our deliberations:

1. Availability of Workers:
    - Is Industry doing enough to attract the right workers with the right skills at the right times?
    - Is Government doing enough to attract the right workers with the right skills at the right times?
2. Regulatory Environment:
    - Is the Regulatory environment a hindrance or a help?
3. Customer Service:
    - Is the industry meeting the needs of their customers in both the public and private sectors?
4. Procurement:
    - Are the trends in Procurement of Construction Services impacting the competitiveness of the industry?
    - What role is the Public sector playing in the procurement of Construction services and what impact is the public sector having on the industry's competitiveness?

5. Government Relations:
   - What is the industries collective experience with all levels of government as they interact with industry on all levels?

I have attached a copy of the terms of reference supplied to me by the Council for your review as well as a list of the individuals I have approached to be committee members.

As a member of the resource group you will not be asked to attend a series of meetings. However, you will be contacted electronically from time to time and asked for your input, comments, considerations and opinions which will be sent to the CHIAC for their consideration and inclusion in their deliberations.

This is important work and I thank you in advance for your participation.

Sincerely,

M McLachlan

Engagement

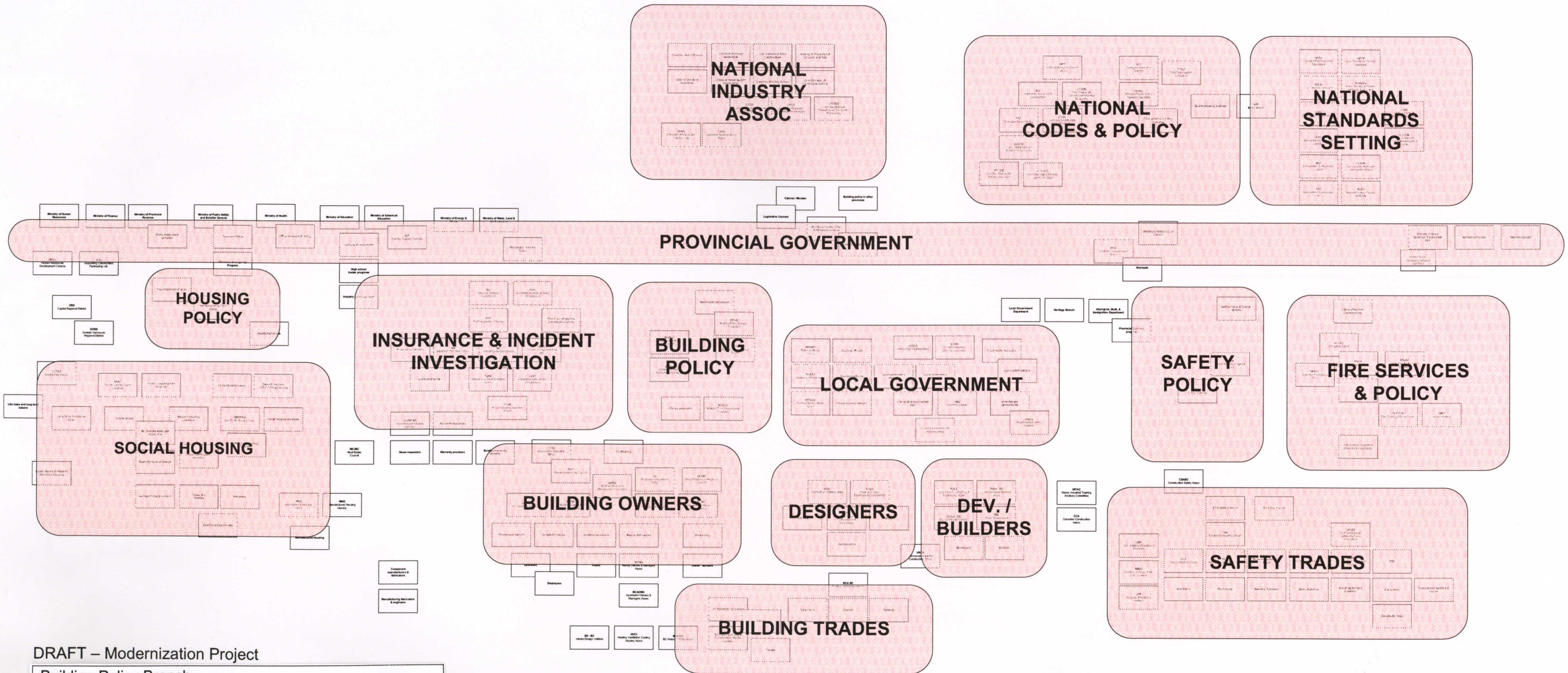
The industry was engaged through 2 mechanisms:

1. CHIAC committee members spoke with various industry leaders throughout the development stage.
2. The material that was developed by the Committee was circulated to the Resource Group for feedback. The Resource Group was given multiple avenues to provide their feedback including e-mail, telephone, and scheduled meetings. A series of meetings were planned with the Resource Group. However due to attendance difficulties, the meetings were replaced with web conference calls on December 16th 2005 and February 16th, 2006. Participation in these calls was limited. However, valuable feedback was received and the Committee integrated their counsel throughout the document.

Issue Assessment

Using the decision criteria, the following assessment was made:

ISSUE	MUST EXIST					SHOULD EXIST					
	Cross-Sectoral	Doable	Industry Commitment	Scope	Urgent	Adds Value	Benefits	Inclusive	Perception	Quality	Safety
Create a Dialogue Mechanism	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
People Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Government Procurement	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Continued Innovation	✓	✓	Weak	✓	✓	✓	✓	✓	✓	✓	Maybe
Create a Safety Culture	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



DRAFT – Modernization Project

Building Policy Branch
Modernization Project: Achieving Building Safety in BC