



A Tale of Two Decades

How effective policies benefit communities,
support construction and create jobs

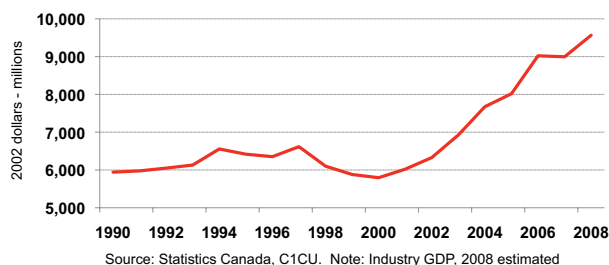
Construction plays a vital role in our economy and our communities by creating thousands of jobs and driving economic activity and investment. For every \$1 billion in construction spending, the total impact on the economy, including the multiplier effect, is 11,000 person years of employment.¹

During these tough economic times, strong, proven leadership is essential. The construction industry recognizes the importance of a government that will support policies that bring stability, confidence and jobs; maintain a low tax environment; and encourage personal and business investment in our communities.

The construction industry remains one of the largest employers in the Lower Mainland-Southwest region, generating more than 120,000 direct jobs and significant economic activity in the region each year. Recently, the local construction sector has seen a downturn in employment and building permits in-line with the global economy. But these losses must be put in perspective: the industry is coming off a seven-year boom that has added 70,000 jobs and billions of dollars more in construction activity.

In 2008, total construction activity in British Columbia reached a record high of \$9.6 billion², an increase of 6.4 per cent compared to 2007. In the Lower Mainland-Southwest Region, more than 128,000 persons went to work in the construction industry each day last year for 10,400 construction companies.

Construction Industry Production, B.C.



This activity had significant positive impacts on our quality of life and on the level of prosperity in our communities. Construction projects improve our communities with new and upgraded infrastructure and facilities. These projects have included state-of-the-art health care facilities, safer schools for our children, roads and bridges to move people and goods, new homes, shopping centres, office towers and more. The construction industry touches every aspect of where we live, work and play.

When construction activity is high, construction companies hire more local residents and use local building materials and equipment. In turn, these employees spend money in their neighbourhoods on the goods and services that keep our economy going. They buy homes, appliances, groceries, school supplies, and vehicles. It is economic activity like this, and its spin-offs, that keep our communities thriving.

During the past decade I have benefited from the construction boom in B.C. I was able to further my career in the construction industry through education and on the job training. Government needs to continue to invest in trades, training and infrastructure projects to ensure that we continue to have stable jobs and opportunities for development. //

Craig Adams – Estimator, Gerry Enns Contracting

¹ Canadian Construction Association.

² Adjusted for construction cost inflation.

A tale of two decades – a closer look at the 1990s and 2000s

Good policies create jobs, investment and growth. If anyone doubts that, compare the last eight years to the lost decade of the 1990s. Higher taxes discouraged investment and productivity, which in turn resulted in lower economic growth.

After leading Canada's economic growth from 1984 to 1990, British Columbia fell behind in the 1990s. Real gross domestic product per capita fell from eight per cent above the average in the rest of Canada in 1992 to eight per cent below by 2002³. Driven by innovative and common sense policies over the past eight years, we've gone from economic loser to leader and the B.C. construction industry remains a key driver of economic growth.

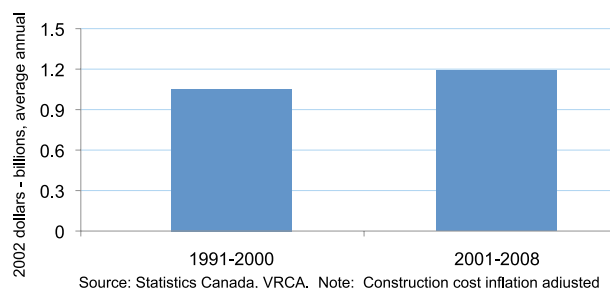
The 1990s

B.C. largely missed out on the economic boom in the 1990s because high-tax, anti-investment policies at the time hurt business confidence in B.C., and caused investment and job creation to suffer.

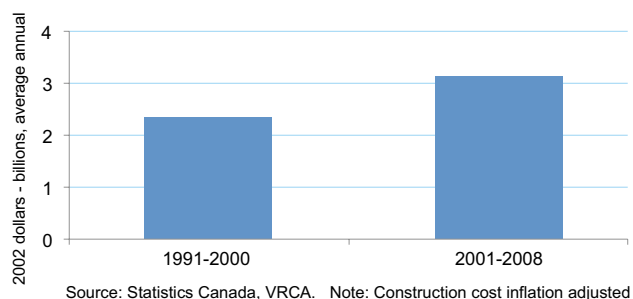
During the 1990s, construction activity was much lower than in the decade that would follow. The numbers tell the story. From 1991 to 2000, total building permits were 22 per cent lower than permits recorded in the following decade.

Non-residential permits were 11 per cent lower, residential permits were 25 per cent lower and private non-residential permits (excluding government and institutional) were 12 per cent lower⁴.

Private Non-residential Building Permits Issued, Lower Mainland-Southwest Region



Residential Building Permits Issued, Lower Mainland-Southwest Region



The lowest year for construction activity in the Lower Mainland Southwest Region was 2000, when construction employment fell to 63,200 persons. It was also the lowest year for construction industry production or GDP⁵ in the province.

The Asia Pacific financial crisis and fluctuating interest rates played a role in slowing activity in the second half of the 1990s. But, overall, government mismanagement of the economy contributed to the decade-long stall in growth. Deficit financing, increased regulation and an unfavourable business climate led to high unemployment, a loss of consumer confidence and workers leaving the province.



³ Statistics Canada.

⁴ Calculations are based on average annual permits during the time period.

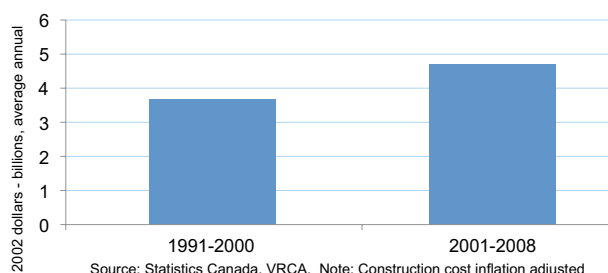
⁵ Industry GDP available only for entire province, not Lower Mainland Southwest Region.

The 2000s

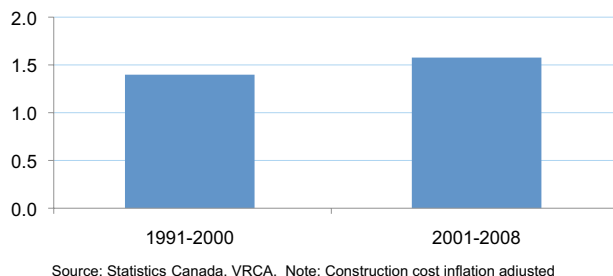
In contrast, during the past eight years, B.C. has led the country in construction employment growth largely because of a stronger economy driven by innovative and common sense policies. As a result, we've gone from economic loser to leader.

A sign of this growth was the surge in building permits issued. From 2001 to 2008, total building permits increased on an annual average basis to \$4.7 billion. Non-residential permits reached \$1.6 billion, residential permits reached \$3.1 billion and private non-residential permits reached \$1.2 billion. The record high for total building permits was in 2007 at \$5.7 billion. Nonresidential permits in 2007 reached \$1.9 billion and residential permits hit \$3.7 billion⁶.

Total Building Permits Issued,
Lower Mainland-Southwest Region



Non-Residential Building Permits Issued,
Lower Mainland-Southwest Region



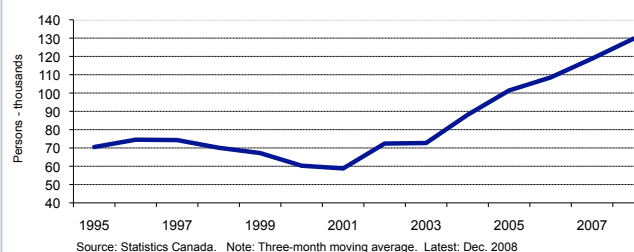
⁶ Note these dollar amounts are in 2002 dollars. The reason for using 2002 dollars is to make a fair comparison over time since construction cost inflation lifts the dollar numbers but this does not mean more activity.

⁷ Conference Board of Canada.

Economic growth in British Columbia reached a low of 0.6 per cent in 2001. Since 2003, however, real gross domestic product has surpassed the national average every year. In Metro Vancouver, unemployment stood at 4.3 per cent in 2008, a marked improvement from eight per cent during all of the 1990s.

In 2008, construction activity in the Lower Mainland Southwest Region reached a record high. This coincided with a record high employment level of 128,000 persons working in the region.

Construction Employment at yearend,
Lower Mainland-Southwest Region



Why the turnaround?

In 2001, there was a major policy shift that would set the stage for growth and achieve sound fiscal management.

To stimulate spending and investment, and to leave more money in the pockets of British Columbians, the provincial government initiated \$250 million in tax cuts, including a 25 per cent reduction in personal income tax and a number of business tax measures.

The effects were evident almost immediately. After just six months, consumer confidence had increased 20 per cent, compared to three per cent nationally⁷.

In 2002, the government's pro-growth policy priorities continued. The cornerstone was a comprehensive three-year fiscal and service plan that included:

- balanced budget and ministerial accountability legislation;
- spending controls subject to penalties; and
- a core services review.

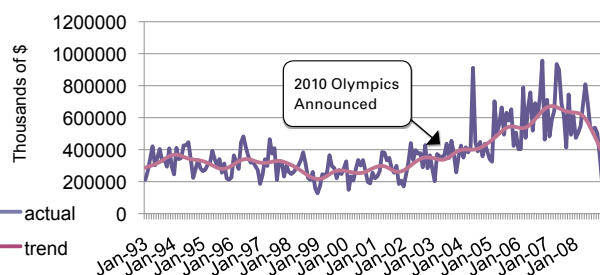
The immediate result was improved investor confidence, which bolstered economic growth and the demand for construction services.

The government also committed to streamlining regulation by creating Canada's first Ministry of State for Deregulation, which had a goal of eliminating more than 135,000 of an estimated 400,000 regulatory requirements. To this end, the government introduced the Significant Projects Streamlining Act, which enabled the Province to override local or other regulatory authorities if they were unduly delaying construction.

A key goal of the government was to undo policies that had inhibited investment. This included expanding the range of machinery and equipment parts exempt from the provincial sales tax.

By 2003, the government expanded its economic policies with the BC Heartlands Economic Strategy and sector-specific tax changes to foster growth and diversification. It embarked on innovative public private partnership initiatives to build infrastructure. It also succeeded in its bid to host the 2010 Winter Games, a spark that lit the investment flame.

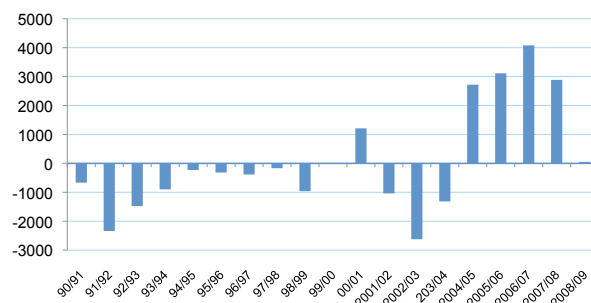
Total Building Permits Issued, Lower Mainland-Southwest Region



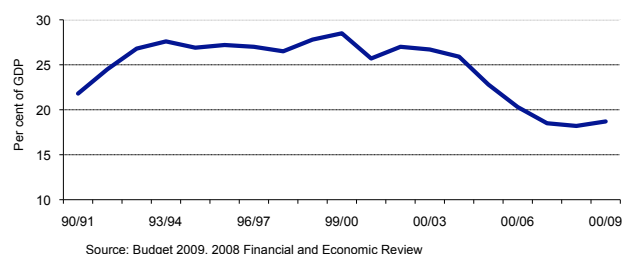
In the following two years, the focus was on job creation, economic development initiatives and improvements to infrastructure. Initiatives included \$600 million in upgrades to the Sea-to-Sky Highway, \$51 million towards early venue construction for the 2010 Olympics and \$97 million for municipal infrastructure.

By 2006, government policies had helped to foster a strong economy and, as a consequence of increased prosperity, government revenues soared. This resulted in large surpluses and allowed the government to pay down the provincial debt and to fund social programs and important new infrastructure projects.

B.C. Government Surplus-Deficit Results



B.C. Government Total Debt-to GDP Ratio



This meant valuable work for construction companies and their employees on community-enhancing projects such as new and revitalized schools, libraries, recreational facilities, medical centres, roads, highways and bridges.

Government was also able to provide a 10 per cent personal income tax cut in 2008, and focus spending on climate issues and the creation of higher paying jobs.

In 2006 and 2007, training was a key focus. The Province provided \$400 million to increase training and skills development and expand post-secondary education. This included expanding training opportunities in traditional construction trades as well as in emerging industries. There was also additional funding for the Industry Training Authority to increase apprenticeship training in public and private training institutions.

Our current situation

Since 2008, the worldwide financial crisis has affected our economy and the industry. Total building permits in the region have seen a sharp decline due to tighter lending policies and low consumer confidence. Since the peak in September 2008, construction employment has dropped by 11 per cent or 14,500 persons.

To help us weather this downturn, in October 2008 the government took immediate, drastic measures and decided to temporarily run a deficit.

The Provincial government is investing almost \$14 billion in infrastructure projects, creating 88,000 jobs. This means jobs and opportunities for businesses supplying materials, equipment and technical services. It also means improvements to our quality of life, as the overall plan is to foster green initiatives such as more energy efficient buildings and better public transportation systems.



The last 10 years have been extremely busy for the construction industry and I have enjoyed the benefits and job security. Now is the time for government to support infrastructure projects that will benefit everyone.

Paul Walske -Transit Mixer Driver, Lafarge Canada Inc.

What we need

The global economic crisis is expected to continue for some time, all the while impeding our economy. For these tough economic times, strong, proven leadership is essential.

We need a government that:

- supports policies that bring stability, confidence and jobs;
- maintains a low tax environment; and
- encourages personal and business investment in our communities.

Sound policies have created a strong business climate, fostered private-sector confidence and acted as a catalyst for investment in B.C. that has benefited all sectors, including the construction industry. For the construction industry to help lead us out of this recession and to a prosperous future, our best strategy is to continue with pro-growth government policies that support investment in infrastructure.

The Lower Mainland cannot afford another lost decade. We need continued policy support, reduced red tape, continued investment in training, ongoing innovation and the best business environment to ensure that we attract private and public-sector investment and emerge from this downturn as soon as possible and as strongly as possible.

Examples of sound policies related to the economy and construction

2001/02

- Decreased the corporation income tax rate cut to 13.5% from 16.5%.

2002/03

- Increased the small business income tax rate to \$300,000 from \$200,000.
- Initiated a P3 model for infrastructure projects.
- Promoted B.C. through the 2010 Olympic bid.

2003/04

- Invested \$103 million in construction to promote Olympic Games, and \$230 million towards expansion of the Vancouver Convention and Exhibition Centre.

2004/05

- Invested \$123 million in Olympic venues and legacies.
- Invested \$1.3 billion over three years to expand and update transportation infrastructure.
- Began work on \$600 million upgrade of the Sea-to-Sky Highway.

2005/06

- Increased the corporate income tax small business threshold to \$400,000 from \$300,000.
- Reduced the PST to 7% from 7.5%.
- Invested \$1.5 billion over 15 years for seismic upgrading in K-12 schools.
- Invested \$328 million of the \$600 million commitment to the 2010 Winter Games.
- Invested \$317 million for improvements on the Sea-to-Sky Highway; \$200 million to the Richmond-Airport-Vancouver rapid transit project; and \$79 million for border crossing infrastructure.

2006/07

- Introduced tax credits for training.
- Provided an additional \$400 million to increase training and skills development.
- Invested \$73 million for seismic and structural upgrades to schools and major structural upgrades.
- Provided \$733 million in tax reductions over four years, including \$309 million in property tax reductions.
- Invested \$4.8 billion in 2006/07 in capital infrastructure.

2007/08

- Invested \$189 million over four years in infrastructure and transportation projects.
- Introduced a 10% tax cut up to \$100,000 in income.
- Implemented a B.C. Training Tax Credit program.
- Invested \$4.8 billion in capital infrastructure.

2008/09

- Reduced the corporate income tax rate to 11 per cent from 12 per cent.
- Reduced corporate income tax small business rate to 3.5% from 4.5%.
- Reduced small business corporate income tax rate to 2.5% from 3.5%.
- Phased out corporation capital tax.
- Invested \$4.5 billion in capital infrastructure.

2009/10

- Invests \$14 billion in infrastructure projects. Since 2001, total investment in infrastructure: \$31 billion.
- Provides extension to exemption for ENERGY STAR® qualifying residential heating, windows, doors and skylights.

Make your voice heard:

Vote in the provincial general election on May 12.

Government decisions impact the success of B.C.'s construction industry and the livelihoods of our co-workers, friends and families.

When you vote, consider the leadership whose policies:

- Provide opportunities for our industry
- Create jobs
- Promote a stable, growing economy
- Benefit our communities

Every vote counts.

For more information on where to vote, visit www.elections.bc.ca or call 1-800-661-8683.

About VRCA

With more than 700 members, Vancouver Regional Construction Association is British Columbia's largest and most inclusive regional construction association, representing union and non-union, general and trade contracting companies, manufacturers, suppliers and other professionals throughout the Lower Mainland from Hope to Whistler.

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