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SASKATCHEWAN'S CONSTRUCTION MAGAZINE

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**PROTECTING YOURSELF WHEN  
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**THE LURE OF LOCAL:  
ADVANTAGE OR DISADVANTAGE? – 40**

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# PRESIDENT'S MESSAGE

Mark Cooper, President and CEO,  
Saskatchewan Construction Association



This issue of *We Build* is focused on the very important topic of procurement. Virtually everything we build in our industry, we build for others. This is work we get through some form of procurement process. Making sure these processes are simple, easy to navigate, affordable to participate in, and accessible to all are important objectives we focus on here at the SCA. I think you will find that the articles in this issue of the magazine look at the topic of procurement from a few different perspectives and provide a good overview of the main topics of discussion in our industry today.

I want to focus the rest of my column here on free trade. Free trade is a noble concept. It is a Darwinian approach to the exchange of goods and services. Those companies that are the fittest should survive. Free trade as an evolutionary concept says that the most adaptable companies will win.

Trade within Canada should be both free and fair. By this I mean that any company, from anywhere in the country, should be able to compete without reservation for business anywhere in the country. The company might be limited by internal constraints, but it should not be prejudiced against based on its origin. In order to achieve this goal, every province in Canada would need to sign onto a strong, detailed, and enforceable interprovincial trade agreement.

The existing Agreement on Internal Trade (AIT) is insufficient for our needs today. You can read more about the challenges with the AIT in one of our feature articles on page 52. As a result of the failings of AIT, the three westernmost provinces came together to form the New West Partnership

Trade Agreement (NWPTA), a stronger and better interprovincial trade agreement. The foundation of the NWPTA is the principle that trade should be free and fair. It is a good agreement, if imperfect, and could easily form the basis for a new national framework.

Today in Canada, the erection of barriers to interprovincial trade are still too common. The doling out of industry subsidies, tax breaks, and grants to individual businesses puts government in the position of choosing individual winners and losers and unabashedly favouring provincial businesses to the detriment of other Canadian companies.

What is most galling is when these subsidized businesses pivot their marketplace and begin bidding for work in other provinces, using their subsidies to reduce their markup and bid on jobs at prices that are otherwise unsustainable. It is the epitome of market distortion, and as far away from free/fair trade as you can get. To read more about issues like this, you should check out our feature article "The Lure of Local" which starts on page 40.

Saskatchewan businesses want to compete in an open and fair marketplace. When other provinces ignore these free trade market principles, it creates havoc for everyone. In June this year, the provincial government recognized this problem and announced the creation of Priority Saskatchewan. At press time for this magazine, we don't have very many details about what this initiative is. We know it is intended to make sure that Saskatchewan companies have reasonable access to compete in procurement opportunities in Saskatchewan. That's a good start. ■



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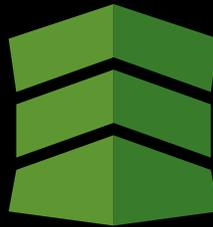
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# SASKATCHEWAN CONSTRUCTION SAFETY ASSOCIATION WELCOMES NEW PRESIDENT

*By Lisa Fattori, Staff Writer, DEL Communications Inc.*

On May 20th, 2014, the Saskatchewan Construction Safety Association (SCSA) welcomed Collin Pullar as the new president of the association. Pullar brings to his new position expertise in human resource development for the construction industry and has been an effective liaison between government agencies and the private sector. He has earned an MBA and Masters Certificate in Public Management from the University of Regina and is a Certified Human Resource Professional candidate. Pullar has extensive board leadership experience and currently sits on the Regina International Airport Community Consultation Committee, the Regina Crime Prevention Advisory Board, and the Board of Governors at Horizon College and Seminary.

Pullar has been a Regina resident most of his life, since his family moved to the city from Ontario when he was four years old. His father was a finish carpenter, and he has an uncle who is a mason, which exposed him to the construction industry from a young age. Early in his career, Pullar worked in the IT sector, where he discovered his love for working with people. He found new opportunities working for both federal and provincial governments in labour market development and worked in this field for the next 13 years.

“I was very involved in education and training programs for youth, such as the Gabriel Dumont Institute Training and Employment, where I played a role in funding for the organization,” he says. “This is where I cut my teeth in the construction industry. I also worked with the Regina Trades and Skills Centre. Construction is a high-growth sector in Saskatchewan, and I found myself constantly interacting with people in the industry.”

In 2008, Pullar began collaborating with SCA's executive to improve methods and strategies for attracting and retaining people in the trades. As a senior consultant, he helped to facilitate new initiatives, such as the SCA Human Resources Toolkit, which can be used by construction companies to recruit and retain high performing employees.

An interest in leadership, together with encouragement from mentors for him to further his expertise, prompted Pullar to pursue an MBA and Masters Certificate in Public Management five years ago. The Certified Human Resources Professional program was a good fit with Pullar's academic achievements, giving him the opportunity to learn more about occupational health and safety.

**“There is such a demand for skilled workers, and it’s more important than ever to have our workers safe and healthy. At the end of the day, we want people to go home after the work day, with their fingers, toes and souls intact.”**

“Every experience over the last 10 years has fed into this opportunity with the SCSA,” Pullar says. “A lot of relationships have been established over the years, and I’ve had a continuum of opportunities and experience. All of this has enabled me to hit the ground running in my new role as president of the SCSA.”

In the last 10 years, there has been a constant downward trend in workplace injuries in Saskatchewan. WCB rates nearing \$11 per 100 in 1997 are around \$3 per 100 in 2014, with lower injuries being a big contributor to the decrease. Despite Saskatchewan’s impressive record, there is still work to be done in improving workplace safety, and Pullar

is excited to work with other safety organizations, government agencies, employers and SCSA members to implement new initiatives.

“There is a great opportunity here to be collaborative in the design of new safety programs, particularly among smaller companies,” Pullar says. “Small organizations have so many competing priorities, but it’s a strategic asset to have a culture of safety within an organization. There is such a demand for skilled workers, and it’s more important than ever to have our workers safe and healthy. At the end of the day, we want people to go home after the work day, with their fingers, toes and souls intact.” 📱

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# SCA MEMBERS ENJOY GREAT GOLF, NETWORKING AND MORE AT THE 2014 ANNUAL SUMMER MEETING



By Lisa Fattori, Staff Writer, DEL Communications Inc.

View of Elk Ridge Lodge from the golf course.



Dennis Hull at the Saturday banquet.



Fishing derby winner Dave Maisonneuve.

The SCA Annual Summer Meeting is one of the most highly anticipated events of the year. Association members have the opportunity to relax and unwind, play some golf, attend information sessions, visit with old friends and forge new relationships. Friendly competitions, exciting prizes, interesting keynote speakers and evening receptions in a beautiful resort setting are a few of the highlights of this popular three-day event. This year's Summer Meeting took place June 5th to 7th at Elk Ridge Resort, a magnificent four-star resort that has hosted the SCA function for the last six years.

The first day of the meeting offered a full agenda of activities, including Association meetings for the General Contractors Association of Saskatchewan, the Electrical Contractors Association of Saskatchewan and the Merit Contractors Association of Saskatchewan. "This year, we offered a First Timers session for members, who had never attended a Summer Meeting before," says Kristin Wagman, Manager of Member Services for SCA. "We provided new attendees with information about the resort, the meetings and all of the planned events. People could find out about the golf tournaments and other activities."

In the afternoon, golf enthusiasts played the Jim Chase Classic Tournament and participated in the Putting Contest, with proceeds going to the Saskatchewan Youth Apprenticeship (SYA) Industry Scholarship. A champagne



*Attendees dressed up for the Moonshine Banquet.*

welcome dinner and reception topped off the day, with a cocktail hour and buffet dinner for attendees.

One component of the event is the opportunity to raise funds for the SYA Industry Scholarship Fund. Since 2008, the SCA, together with the Saskatchewan Apprenticeship and Trade Certification Commission (SATCC), has managed an industry-led scholarship program to encourage high school students to enter a career in skilled trades. For the last three years, a provincial government program under the Ministry of Advanced Education, Employment and Immigration has matched the industry's contribution to the scholarship fund, making it possible to offer a minimum of 100 - \$1,000 scholarships annually.

Thursday's dinner marked the opening of a silent auction to raise funds for the SYA Industry Scholarship. Donated items by SCA members offered 36 items for bid, including tools, iPads, a TV and a signed NHL hockey sweater. In addition, a chance to play a round of golf with former NHL hockey

player Dennis Hull was live auctioned on Friday night and was sold for \$8,000 to Bryan Leverick of Alliance Energy Ltd. The silent auction, Dennis Hull prize, Putting Contest and a generous \$2,700 donation by Jon Schubert, President of McCain Electric, raised a total of \$20,000 for the SYA Industry Scholarship.

"Our goal was to raise \$10,000, and we managed to double that, which is very exciting," Wagman says. "Our members really came through with donations of great prizes. This is the most we've ever raised at a Summer Meeting for the scholarship fund."

At Friday morning's Safety in the Industry session, attendees had the opportunity to meet the new President of the Saskatchewan Construction Safety Association (SCSA), Collin Pullar. SCA President Mark Cooper moderated a panel discussion on employer efforts to create and sustain safe workplace cultures. The session provided a forum for safety specialists and SCA members to discuss the obstacles



*SCA staff members.*



*Participants in the guided nature walk.*



*Safety in the industry session.*

and challenges that employers face in creating safe workplaces, as well as effective strategies and best practices for achieving an injury-free workplace.

Saturday morning's Industry Advocacy session focused on public-private partnership (P3) procurement. Chad Eggerman, partner in the Energy & Natural Resources and Construction and Infrastructure practice group, with the Miller Thompson law firm, gave a presentation about the legal opportunities, as well as the challenges that construction companies face with the introduction of P3s.

In addition to Thursday's golf event, members participated in Friday afternoon's Pro Golf Tournament and a leisurely afternoon of golf on Saturday. Non-golfers were treated to additional activities, including the opportunity to cook with Elk Ridge chefs on Friday. Attendees could also enjoy



*General Contractors Association of Saskatchewan meeting.*

a guided tour of Boundary Bog Natural Trail at Prince Albert National Park. This Friday afternoon event gave participants the chance to explore the area's natural scenery and wildlife.

"We also had a Catch-and-Release Fishing Day on Saturday afternoon at Hanging Heart Lake at Waskesiu," Wagman says. "This is a brand new event for the Summer Meeting, and everyone really enjoyed it. They had a great day of fishing and friendly competition. The prize for the biggest fish went to Dave Maisonneuve from Joe's Electric, who caught a Walleye that was over five pounds."

At Friday evening's Moonshine Dinner and Reception, attendees wore their backwoods best, with prizes given for the best costumes. The Saturday closing dinner and reception featured special guest Dennis Hull, brother to



*Cooking with Elk Ridge staff.*



*Some of the annual silent auction items on display.*

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*Some of the golfers who braved the weather.*

Bobby Hull and former NHL hockey player. Hull is a well sought-after speaker who combines hockey and humour in anecdotal stories about his 14 years with the NHL. The evening's \$1,000 cash prize was won by first time attendee Lee Elliot from Modern Niagara.

"The Summer Meeting is our signature event that gives

our members the opportunity to network," Wagman says. "It's a chance for contractors to mingle with suppliers and chat with peers. There is a real sense of fellowship and camaraderie among members, and we have a wide range of activities that help people to build those relationships." 🏏

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# MEMBER SERVICES UPDATE

By Mark Cooper, President and CEO, SCA

When it comes to the SCA, serving members is what it is all about. Everything SCA does is designed to meet the needs and expectations of our members. Responsible for leading the SCA's work in this area, Kristin Wagman, the SCA Manager of Member Services, has specific objectives. To achieve these objectives, Kristin coordinates with a Member Services committee consisting of SCA

board members and members at large. For the 2014 year, the SCA board of directors established the following priorities for the member services area:

- Delivering a successful 2014 Summer Meeting;
- Holding a successful 50th Anniversary Banquet and Awards Show;
- Developing a member recruitment

and engagement strategy; and

- Assessing the performance of the SCA's communications work.

Below is an update on SCA's progress on each of these priorities.

## 2014 Summer Meeting

The SCA's Annual Summer Meeting was held at Elk Ridge Resort from June 5th to 7th. The weather was terrible, but the event was a great success. Delegates enjoyed the opportunity to network with one another in a social setting and seemed to enjoy this year's agenda changes. A survey was sent to all meeting attendees, and the results will help us shape future agendas. Planning for the 2015 meeting is already underway, with the dates set for June 4th to 6th in Elk Ridge.

## 50th Anniversary Banquet and Awards Show

The SCA turns 50 in 2014. To celebrate, we will be holding a special 50th Anniversary Banquet on Thursday, October 23, 2014. The event will be in the evening and will be



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held at Prairieland Park in Saskatoon. Information on ticket availability will be sent to members in July. The SCA is seeking sponsors for the event, so if you have any ideas or suggestions, feedback is welcome. The Member Services committee also decided to revive an SCA tradition of presenting awards for industry-leading practices amongst our members. Stay tuned for more details on this event.

**Member Recruitment and Engagement**

The SCA does not recruit members. Our membership structure means that member recruitment is primarily a responsibility of the four local associations (Prince Albert, Regina, Saskatoon and Moose Jaw) and the Saskatchewan Heavy Construction Association. The SCA does have a role in providing support to the local associations in this recruitment. The primary focus of this work in 2014 is the creation of a new package of information to be distributed to new members and a plan for how the SCA will engage with new members.

When it comes to member engagement, the SCA heard clearly from members that they want to have a better understanding of what the association does for them. A new membership engagement strategy, which will be completed and made

available to members before the end of 2014, will focus on ensuring that the SCA is always doing the things we need to do to keep members informed and engaged.

**Review our Communications Efforts**

Starting last year, the SCA embarked on significant improvements to our communications efforts. These improvements include a regular monthly newsletter, a quarterly magazine, a more active presence on social media, and a regular SCA presence at most industry events across the province. Our objective is

to ensure that SCA communication efforts are working and that they are consistent with what members need and expect.

SCA's success in our member services is determined by meeting the objectives set out by the board, and we have made good progress toward that goal. Member feedback with respect to any of the work we do is always welcome. Members should contact Kristin Wagman at kristinw@scaonline.ca or at 306-525-0171 with their thoughts on SCA member services. 📧

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# WORKFORCE DEVELOPMENT UPDATE

*By Mark Cooper, President and CEO, SCA*

The SCA is actively involved in the development of the construction industry's workforce in Saskatchewan. Our work in this area is managed by our Vice-President of Workforce Development, Doug Folk. Doug leads a team of retired educators, including jobs coach Erwin Klempler, and Trade Up Saskatchewan coordinator Howard Jesse. These three guys are busy making sure that Saskatchewan's construction companies have the workforce they will need in the future.

Our workforce development work can be divided into four segments:

1. Market Intelligence;
2. Career Promotion;
3. Skills Development and Employment; and
4. Retention.

In the market intelligence area, our work is focused on making sure that we and our industry partners have

access to the information about what construction employers need. Our partners include:

- Saskatchewan Apprenticeship and Trade Certification Commission,
- Saskatchewan Institute of Applied Science and Technology,
- Saskatchewan Indian Institute of Technology,
- Regional Colleges,
- Saskatchewan Industry Education Council
- Saskatoon and Regina Trades & Skills Centres

We want to understand what kind of people employers are looking for today and what kind of people they will need in the future. What skillsets do they need to have, and what kind of attributes should they have? Answering these questions allows all of us to work to make sure that we're identifying and training the right people, in the right way, at the right time.

Our market intelligence work has been greatly aided by a partnership we've built this year with Doug Elliott from Sask Trends Monitor. Doug has created a warehouse of data on the construction industry in Saskatchewan, and he now regularly prepares reports for our members in each issue of this magazine. You can read his articles this issue on pages 62 and 80.

When it comes to career promotion, this is an area that usually has a lot of support from SCA members. Our focus is to get more high school graduates to choose construction as their first career choice. We want to attract the best and brightest graduates into our industry. This allows them to make a great living right away, build an amazing career and a better life.

This year the SCA dipped our collective toes in the water with the



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start of a media campaign called Smarten Up. The campaign was a worthwhile first effort, but if we're really going to make an impact on public opinion with respect to careers in our industry, we're going to need to do a lot more.

Our skills development and employment work is, essentially, entirely funded by either the provincial or federal government through a series of program grants we receive. In this area, we focus on specific employment programs that encourage young people to start working full-time in a construction trade career. We run a summer employment program in Moose Jaw and Regina that is similar to the programs already running in both Prince Albert and Saskatoon. We also run the federal Skills Link program. This year we will be offering programs in Regina, Weyburn, Prince Albert, and Saskatoon. In each program, we fill about ten spots with kids in their twenties who are looking for work. We pair them with an employer and provide them with pre-employment safety and first aid training as well as an employment subsidy.

Our retention work is one area where we have only been involved to a small degree. Several years ago we created the HR manual and toolkit, which is available for every SCA member. This manual and toolkit provides guidance and templates for handling every imaginable HR scenario. The CCA was so impressed with the toolkit and manual that they've adapted it for the national context and now have it available for members anywhere across the country.

The workforce development work we do adds considerable value to our

industry each year, especially through our efforts to promote the industry and attract quality candidates. We are fortunate that right now about 95 per cent of everything we spend in this area comes from the provincial or federal governments. One of the challenges we've faced this year in asking for more funding was the

recurring theme that governments are looking for industry to do more. This is something the SCA will need to wrestle with in the coming months. When we ask government for more money to promote our industry, are we prepared to increase our expenditures as well? ■

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# ADVOCACY UPDATE

By Mark Cooper, President and CEO, SCA

The SCA advocates on behalf of the interests of the non-residential construction industry in Saskatchewan. Most of our effort in this area is focused on lobbying the provincial government to ensure that the legislative, regulatory, tax and public policy regimes are supportive of the work our members do to build this province.

The SCA's advocacy priorities are set by the board of directors, on the advice of the industry-wide advisory council. For the 2014 year, the council and the board set five priorities for our advocacy work. In order of ranked importance the priorities, the priorities are:

1. Improving the Worker's Compensation Board's (WCB) accountability to employers;
2. Improving public procurement practices;
3. Advancing the case against bundling of projects in public procurement;
4. Preparing for public-private partnerships (P3s) as a public procurement methodology; and
5. Introducing financial incentives for the Saskatchewan Construction Safety Association's Certificate of Recognition (COR) certified companies.

In this column I will highlight our progress to date on each of these issues and our planned work for the remainder of the year.

## 1. WCB Accountability

This item seems to be a priority for construction employers. When I sit down with individual members to talk about their concerns, it is really rare that they don't have some kind of story to tell about a bad experience they've had with the WCB. Members seem very supportive of having the SCA take a more active role in calling for accountability to employers within the WCB system.

So far, the advisory council has met with two of the three WCB board members, including the new WCB chair, to discuss industry concerns. The dialogue was productive and insightful. The WCB's CEO, Peter Federko, and members of his senior management team will be joining the council for a meeting in July to further discuss industry concerns. In addition, we've invited the board and management team to engage in direct dialogue with the construction industry through a few coordinated sessions in Regina and Saskatoon. I'm hopeful these sessions will take place in the next few months.

From where I sit, it seems that most of the problems stem from a few root causes:

- a) The WCB governance model is probably outdated – WCB is governed by full-time board members, appointed by the

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government for multi-year terms. One board member represents employers, one represents employees, and the third is an independent chair. The full-time board is consumed by handling appeals, and by its nature struggles to find the independence it needs from the WCB administration. A larger, more representative, and part-time board (as is common in other provinces in Canada) would allow for greater governance independence and accountability. This would likely mean that appeals would need to be handled differently, but that might mean a more efficient, effective, and independent appeal process.

b) There is a communication disconnect – In conversation with WCB staff, I'm always surprised to learn that they're unaware that employers have concerns with the system. WCB staff are good people who believe passionately in the mission of reducing workplace injuries. They share many of the same objectives that both employees and employers share on the worksite. The issue isn't a misalignment of priorities, it has to do with our struggle to communicate effectively with each other. This is a problem we can fix, and working together with WCB will help.

c) It's possible the brand is outdated – Several provinces in Canada have moved to change the name of their WCB, moving to the name Workplace Safety and Insurance Board (WSIB). Worker's Compensation Board implies that the purpose of the entity is to compensate workers; but that's not its purpose. Its fundamental purpose is to enhance workplace safety. A name change could be a good start in shifting the culture of an organization that might be occasionally focused on the wrong outcome. This is something the SCA has advocated for in the past.



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There is lots of work to do on this file, and much of it will take time. We will not complete our work with WCB in 2014. I do believe we've made progress already and will continue to do so in the coming months. Our focus now is on setting up the industry dialogue sessions so that you can speak directly with WCB leaders, as well as working to ensure the next government-appointed committee of review, which will recommend changes to WCB, will be focused on the priorities that matter to you.

**2. Public Procurement Practices**

I usually hear four common complaints from members when it comes to public procurement processes:

- a) There are too many different practices, procedures, and documents are used by too many different provincial ministries, crowns and agencies. We know this reduces efficiency, increases cost, and consequently reduces competition.
- b) There is a lack of construction procurement expertise among public owners. With high staff turnover and a lack of procurement depth, the effectiveness of processes is reduced, costs go up, and expectations placed on to the contractors increase.
- c) There is not enough long-term planning and communication of long-term plans. This means that the industry is left scrambling to adjust

capacity to meet the new demand. This drives up prices, creates labour market chaos, and reduces competition.

- d) More tenders need to be posted on the buildsask network. A centralized hub for construction procurement opportunities in Saskatchewan, buildsask is the place that construction companies go to find available work. Public-sector owners seeking better pricing through more competition should be posting all available construction tenders on this site.

With these common complaints in mind, the SCA has been active in working with the provincial government to move the agenda of better procurement practices forward. The main vehicle for this work is a group called the Saskatchewan Construction Panel (SCP). SCP is a panel which includes senior representatives from every provincial ministry and crown that is directly or indirectly involved with construction procurement. The panel also includes representatives from a variety of construction industry groups. I co-chair this panel with MLA

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Warren Michelson from Moose Jaw. The primary mandate of the panel is to work on improving provincial procurement practices and reducing barriers to construction industry growth.

Like the WCB work mentioned earlier, our efforts to streamline public procurement will take time. We have a faithful partner in our government MLAs in the legislature. They are committed to seeing enhanced procurement practices within government and are very supportive of the work we are doing together. As a result of this commitment, we have seen strong engagement from the administrative level within ministries and crowns. This work will continue beyond 2014, but we hope to have real tangible results by early 2015.

### 3. Advancing the Case Against Bundling

The bundling of small public projects to artificially create scale is a bad public policy. It reduces competition, leads to a hollowing out of local industry, and in the long run costs the government – and therefore us as taxpayers – more. These are the arguments we have been making for several months now to just about anyone who will listen.

Saskatchewan is growing, and we need new schools. These schools cost money, and procuring them quickly and

cheaply using traditional procurement does not appear to be an option the government sees as viable. They want to leverage private capital to pay for the construction of these schools. As an industry, and I include the design community in here, we need to find some way that they can do this without bundling. If we can't present them with a viable alternative, we can't expect them to change direction.

With that in mind, this is now a top priority for the coalition of groups we've assembled to lobby with us on this issue. The coalition includes the Mechanical Contractors Association of Saskatchewan; The Electrical Contractors Association of Saskatchewan; the General Contractors Association of Saskatchewan; Merit Contractors Association of Saskatchewan; and the Saskatchewan Association of Architects. Over the next few weeks and months, we will

be focused on coming up with some alternative strategies for government to consider.

### 4. Preparing for P3s

Public-private partnerships (P3s) are here, and they're here to stay. That's a good thing. P3s, when done right, allow mega-projects to be completed by the public sector while accessing the efficiency, innovation and financing of the private sector. When done right, they are a great model of how procurement should be done: transparently, fairly, and efficiently. They're also a great model for how projects should be completed: with no change orders, on budget, on time.

P3s do, however, represent a new way of doing business, both for governments and the private sector in Saskatchewan, and we've all got lots to learn about how they work.






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The SCA has been working to ensure that our members have access to information on P3s, how they work, what they mean for contractors, and how members can take advantage of the opportunities they present, while minimizing any challenges that may arise.

We'll be continuing our education efforts by partnering with the Saskatchewan Heavy Construction Association and the Saskatchewan Chamber of Commerce to deliver the second-annual P3 Summit on Monday, September 8th. We're working to make sure the agenda is relevant to construction companies that are interested in getting engaged in

future P3 work. Stay tuned for more information through our monthly e-newsletters.

### 5. Financial Incentives for COR Certification

COR safety certification for a company is directly correlated to an improved safety record, with reduced WCB claims. COR certified companies are safer, and everyone knows it. Pursuing and maintaining safety programs like COR comes with a real cost to employers. However, responsible employers and fiscally responsible employers know that spending this money on programming reduces costs in the long run and, more importantly, keeps employees safer.

If we know that workplaces that are COR certified are safer, why don't we do more to get everyone to be COR certified?

That's the idea behind providing COR certified companies with financial incentives for their certification and for their safety record.

If you reward COR certified companies, you have to put a disincentive on non-COR certified companies in order to make up the loss of revenue. The SCA believes this would be a good thing. If safety itself isn't enough of a justification (and it should be!), then perhaps employers will move to COR certification if they know the alternative is higher costs. In an industry where margins are often thin, and the difference in bids is often thinner, COR incentives (and the resulting disincentives) might help tip more work toward COR certified companies - which would further enhance the attractiveness of the program.

These are the five advocacy priorities for the SCA in 2014. We're busy moving each one forward, along with other issues that come up from time to time. We always welcome your feedback on the work we do. The SCA is here to serve our members, and the more we hear from you, the more we can be sure we're doing the things that matter most to you. Contact me directly anytime at [president@scaonline.ca](mailto:president@scaonline.ca) or at 306-525-0171. 📞



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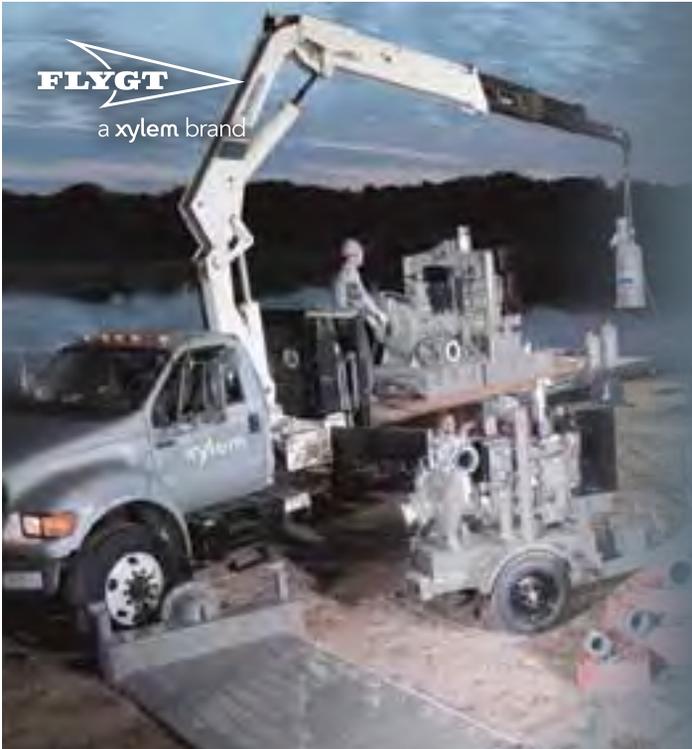
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# FINDING THE BEST EMPLOYEES FOR YOUR BUSINESS: THE SIIT CAREER CENTRE CONNECTION

*By Grant Young and Elvis Kambeitz, Saskatchewan Indian Institute of Technologies Career Centres*

Procurement usually refers to the act of obtaining equipment or supplies. However, in any construction project, there is another factor that also needs to be procured: the people to do the work. Where can a construction company find human resources, especially when there is a shortage of skilled tradespeople?

One place to look is the Saskatchewan Indian Institute of Technologies (SIIT) with a mandate to provide training and other labour force development services for Aboriginal people of Saskatchewan. Programming includes adult basic education, business

administration and information technology, health and community studies, and certified technical, vocational and trades training. However, it is much more than that. Did you know that SIIT also has seven career centres located throughout the province?

So, what is a career centre and how can it help employers find human resources?

### **Career Centres**

SIIT has been managing construction and industrial career centres on behalf of its partners since 1998. Each of

the seven career centres is guided by a steering committee. The career centre steering committees consist of partner representatives and other key stakeholders in the region who are interested in First Nations and Aboriginal labour force development initiatives.

The SIIT Career Centre network plays an important role in connecting First Nation/Aboriginal participants and others to careers in construction and other industrial sectors. Each career centre is industry-driven and the programming offered is scheduled to fit the need of shortages of skilled labour



Level 2 apprenticeship training at the SIIT Campus Saskatoon, March 2014.



Level 3 apprenticeship training at the SIIT Campus Saskatoon, March 2014.

in each area. There are currently seven career centres located throughout the province in Saskatoon, Regina, La Ronge, Meadow Lake, North Battleford, Prince Albert, and Yorkton.

All career centres are based on the same delivery model and provide the following services:

- Links to employment;
- Vocational technical training (e.g., quick skills);
- Job coaching and career planning;
- Certified training (safety, driver license, etc.);
- Indenturing apprentices;
- Assistance in overcoming barriers to employment; and
- Support for employee-employer relationships.

### Participants

The career centres have been gathering information on their clients since the first centre opened in Regina in 1998. Since then, the seven centres have registered over 21,000 clients and have found over 15,600 jobs for clients. Signifying the centres' important role in training and skills development, nearly 12,150 participants have completed the Construction Safety Training System (CSTS) and an additional 5,100 are either engaged in or have completed skills training.

The centres' client demographic is 79 per cent First Nations, 11 per cent

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Yorkton job coaches Darren Cote (right) and Bruce Fountain (left).



Yorkton Industrial Career Centre.

Métis and Non-Status, and 10 per cent non-Aboriginal. Eighty-two per cent of the clients are male, with 18 per cent being female. Just over half (52 per cent) of the clients are under 30 years of age. A small percentage (6.5 per cent) of participants have attained post-secondary education as the highest level of education; the majority, at 80 per cent, have attained Grade 10, 11, 12 or 12 General Educational Development (GED) as the highest level of education.

### Job Coaches

The career centres seek to develop skills and provide an opportunity for First Nations, Aboriginal participants and others to establish careers in construction and other industrial

sectors. A significant component of achieving these objectives is job coaching, which was implemented upon recommendation by the construction industry and other partners. Job coaches are individuals who are quite often journeypersons themselves, and this feature gives them credibility with both their clients and the employers. They have “been there and done that”, which allows them to develop positive connections with clients and employers.

The job coaches are responsible for:

- Providing career guidance and assistance with job search;
- Supporting participants to overcome barriers to employment; and
- Providing a direct link between workers and employers.

The first step is to assess clients and determine their level of functioning and corresponding strengths and needs through an intake interview. “I typically make an assessment during our initial meeting and registration of the client. The questions asked on our registration form help determine which job they can apply for,” explains Construction Careers Regina job coach Earl Greyeyes. In this process, clients are registered in a province-wide database. Clients can then be matched to job requests from employers based on specific skills and work experience.

This also forms the basis for career planning as job coaches help clients create a realistic career action plan. “Job coaches assist with résumé and interview preparation, e-mailing and



Battlefords Industrial Career Centre.

faxing clients' résumés to various companies, and assisting with job search direction (some clients do not know what companies are out there related to their qualifications)," says Grant Beaudry from the Battlefords Industrial Career Centre.

The next step is to help clients any overcome barriers identified in the process. Aboriginal clients may face a range of barriers to employment, including lack of training, experience, or confidence, transportation issues (no driver's license), no required safety tickets, need for personal protection equipment or hand tools, communication issues (no telephone), no résumé, etc. Job coaches are able to assist clients with these barriers and help them get their foot in the door of the labour market.

## Benefits to Employers

• **Access to workers:** The first key benefit to employers is access to a pool of potential employees with a wide range of skills and experience. Close co-operation and consultation with industry employers has been established to ensure employment opportunities for clients. "As for employers, we are able to give them a steady stream of employees

with different levels of skill," says Bruce Fountain from the Yorkton Industrial Career Centre. "If they need labourers, we can send the younger clients looking to start out in construction with limited skills. If they need more skilled employees, we can send our apprentices or more skilled workers. Today I had an employer come into my office looking for labourers, and I told him I can provide any level of worker he needed."

- **Job Selection:** Job coaches can help employers with screening applicants for jobs. As Val-Gene Chatelaine, Manager of the Meadow Lake Industrial Career Centre, says, "When employers call us, we can give them some background information on a client who they might never consider. A job coach who is working closely with a client who really wants to work can help employers give someone a chance at gaining some work experience. We also know who our experienced people are."
- **Preparing for the workplace:** Job coaches help clients get ready to work and be successful at work by giving them employability skills. This includes being responsible, being on time, calling in if you are



sick, knowing the expectations of the employer, knowing who to ask questions, etc.

- **Mentoring:** Job coaches can also assist once the client is on the job. They can keep in touch with the employer and employee and make sure the employee is adjusting to the job and doing well. As well, the job coach can assist if there are any difficulties that need to be overcome.

## Summary

The SIIT Career Centres have proven to be an effective model for connecting individuals looking for employment in the construction sectors to employers looking for qualified employees. For assistance with procuring your human resources, contact the SIIT Career Centre nearest you. Details for specific locations can be found at [http://www.siid.sk.ca/career\\_centres](http://www.siid.sk.ca/career_centres).

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# THE LURE OF LOCAL: ADVANTAGE OR DISADVANTAGE?

By Melanie Franner, Staff Writer, DEL Communications Inc.

## Executive Summary

Canadian governments are spending billions of dollars each year on construction projects across the country. Each one has the power to benefit the local economy by spurring local purchases, jobs and services. But does this happen?

Some provinces have recognized the value-add of local content and have integrated clauses to this effect into the tendering process for just this reason. Other provinces are restricted by regional trade agreements and don't have that luxury.

Saskatchewan-based companies are asking for fairness and equity, as it sees valuable construction projects being awarded to out-of-province suppliers. What is the cost of doing business in today's construction industry, especially for those companies that don't have the privilege of scoring points for local content? Which is the better value for the hard-working taxpayer?

And perhaps, more important, what do these local-content clauses do to the ability of an industry to compete outside of its own market or on the international stage?

"Buy local" has been the adage of many a consumer group in Canada as of late. Not only does it benefit local economies, it can also make sense from a larger perspective (i.e. lower transportation costs and fewer greenhouse gas emissions in getting the product to market). But does the adage hold true for an industry like construction, where the government procurement process appears to reside on the lowest bid getting the job? Is there room for a local benefit to be interwoven into the procurement process and, if so, does it help or

hinder the province and/or country's competitiveness in the global market?

### By The Numbers

According to Michael Atkinson, President of the Canadian Construction Association (CCA), numbers from Statistics Canada show that the federal government spent \$2.47 billion on capital construction and \$1.94 billion on repair construction in 2012. The provinces spent \$12.92 billion and \$2.55 billion respectively, while municipalities spent \$12.57 billion and \$2.66 billion

respectively. Estimates suggest that the provinces are in line to spend approximately \$13.21 billion in 2014 on capital construction projects alone.

From an economic perspective, Saskatchewan is performing well.

"We are doing stupendously well compared to our recent history," says Doug Elliott, Publisher of Sask Trends Monitor. "We are doing better than most provinces, with the exception of Alberta. But at the same time, our economy is not performing as well as it was last year."

Regina West bypass bridges.  
PHOTO COURTESY OF SUPREME STEEL





Left to right: Rupen Pandya, Doug Elliott, and Rob Isbister.

For example, construction GDP was \$4.3 billion in 2013, down slightly from \$4.5 billion in 2012 (measured in constant \$2007 dollars). Elliott anticipates another decline in 2014, but he emphasizes that the slowdown is but a “glitch” – and not the start of a downturn – nothing to be overly concerned about.

New construction in 2014, Elliott says, is expected to reach \$15.6 billion, compared with \$10.8 billion in 2009 and \$4.8 billion in 2004. Of this, the public sector will account for 14 per cent, compared with 20 per cent ten years ago. Most of the province’s capital investment will derive from the resource sector (mining, oil/gas, and forestry, including exploration), adds Elliott, who suggests that resource-sector investment will total \$7.5 billion (or 62 per cent of the total) in 2014.

“The medium-term outlook is still

positive because of our province’s population growth, our ongoing investment in the resource sector and a backlog of projects,” Elliott says.

### The Local Advantage

A May 2013 report from Columbia Institute, LOCO BC and the ISI Research Centre entitled *The Power of Purchasing: The Economic Impacts of Local Procurement* found that “the strength of local and regional economies is integral to the well being of citizens, communities and society as a whole.”

Author Anthony Pringle states that institutional purchasers and businesses have the potential to make a significant impact on local economies.

The report attempted to quantify the benefit of purchasing from local business by evaluating the economic impact of a local supplier on the local

economy. In this case, the group studied three different office-supply companies – one of which was a locally owned business in British Columbia. Results found that the locally based company “recirculates 33.1 per cent of its revenue directly to residents and businesses in B.C., compared to between 16.6 and 18.7 per cent for their multinational counterparts. This presents a 77 to 100 per cent economic advantage for B.C. from buying local.”

The study went on to use provincial multipliers to translate its findings into jobs and deduced that buying locally led to an 80- to 100-per-cent increase in jobs per million dollars spent.

The findings of this study bring to question existing procurement policies, specifically those regarding public-sector projects.

“The conventional wisdom governing procurement is that it should be

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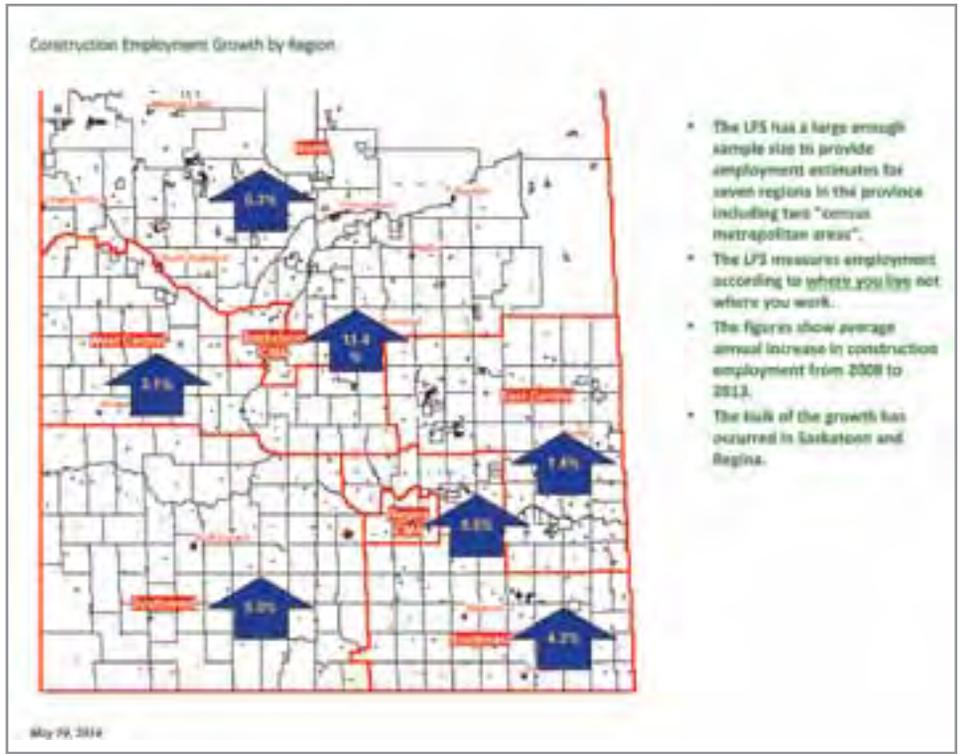
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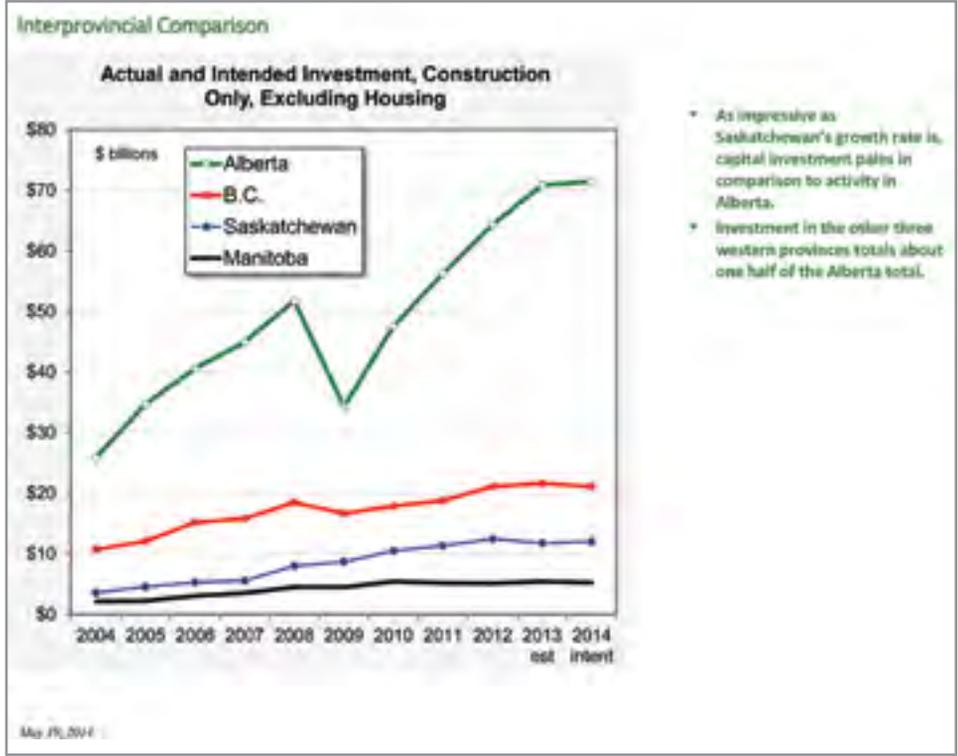
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London. Greater Manchester itself has a population of 2.5 million, a workforce of 1.2 million and a GDP of £28 billion (CA\$41 billion).

According to a report titled *Rethinking the Procurement and Delivery of Public Sector Construction Projects*, city council decided to revisit the issue of procurement when it realized that the cost alone of tendering and evaluating projects was £250,000 per year, and that the lowest-priced bid was almost always the one chosen.

"This was one of the biggest problems, as the fixed-priced low bid created a situation where the contractor would seek to drive down costs at each level of the supply chain," the report states. "As a result, quality was often badly compromised. Furthermore, the constructors' drive to recover all extra costs wherever possible often strained the design team/constructor relationships and created significant wasted time and costs in resolving disputes."



The council also found that there was no real performance management or incentive for the constructor to perform well, as the next job would once again be tendered. Other disadvantages of the process included delays, inadequate cost controls, low customer satisfaction, high defects, a lengthy and inefficient selection process, and inadequate mobilization time.

Salford City Council amended their procurement policy (while still abiding by the country's National Procurement Strategy) to deliver work through the development of partnership categories that identified companies based on partnership approach, quality of the build, economic regeneration issues, and price.

unbiased toward potential suppliers and provide the best value for money, with value often defined narrowly in terms of the lowest price or bid for a contract," states the report.

Such was the mindset of the Salford City Council until it reviewed that

policy and decided to make significant changes.

The City of Salford is located in the metropolitan borough of Greater Manchester in Northwest England, which is identified as one of the UK's largest economic regions outside

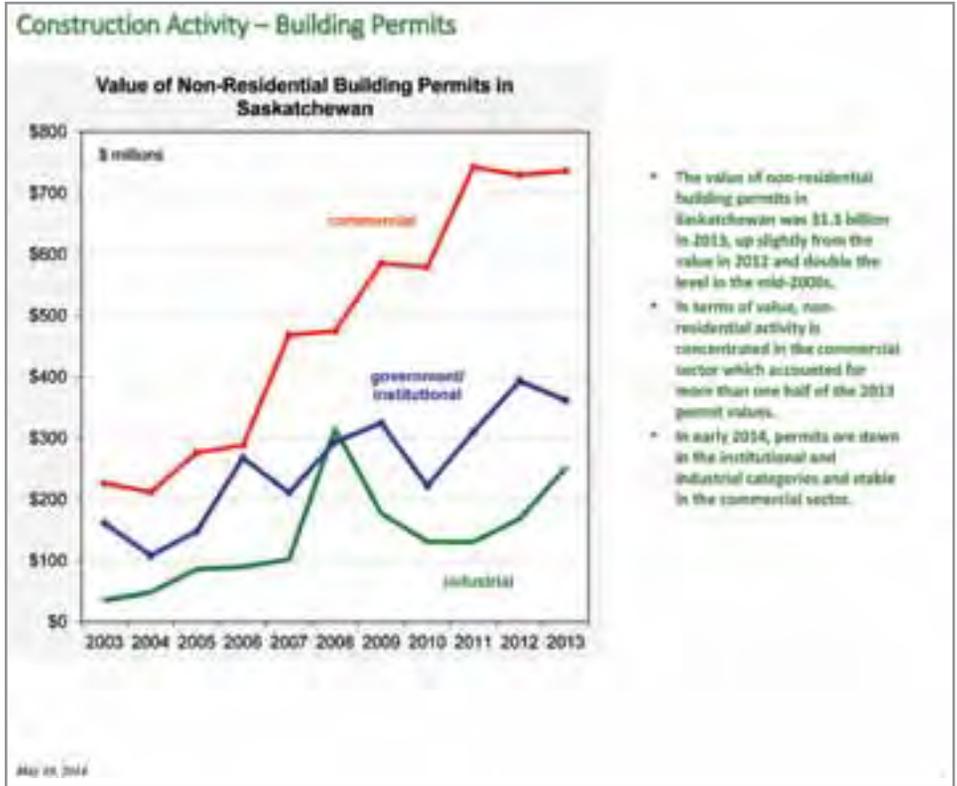
Another element of the process Salford council changed was adding a local benefit angle.

“One of the drawbacks of traditional procurement systems using a select list of construction companies is that it is not possible to work strategically with companies on the training and recruitment of local labour to bring about economic and social benefit,” stated the report.

The city’s partnering approach sought to change this and succeeded.

### The Saskatchewan Story

Procurement policies that acknowledge, to some degree, the net benefit of working with local firms hold the potential to ultimately generate more revenue for the local economy. In his January 24, 2014 “From a Provincial Point of View” (a weekly report from the legislature), Saskatoon Silver Springs MLA Ken Cheveldayoff states that for every dollar manufacturing produces, approximately \$3.15 is created in economic activity.



Numbers from the Canadian Manufacturing & Exporters Association raise that figure from \$3.15 to \$3.50 for the mining sector. That means the two recent Saskatchewan-based mining projects bearing a total cost of \$222.3 million (PotashCorp’s Cory and Rocanville expansions)

produced a net benefit to the province of \$778.2 million. It also means that if a mere 35 per cent of the total project value of the \$98 million being spent on the Regina Mosaic Stadium were to stay in Saskatchewan, the economic net benefit to the province would be approximately \$310 million. This didn’t

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## THE LURE OF LOCAL

prove to be the case in the awarding of the new Saskatchewan Remai Art Gallery. Rather than being awarded to a local Saskatoon-based firm, the steel fabricating portion of the contract went to one based in Ontario.

"Our company recently received notification from the general contractor on a potential project that, although the tenders for the supply and erect of structural steel were extremely close, an eastern Canadian firm that provided a slightly lower price will be awarded the steel fabrication and erection contract on the new Remai Art Gallery in Saskatoon, over local firms," says Ross Fraser, Senior Vice President of Supreme Steel LP. "As there were no conditions or requirements for local content in the City of Saskatoon tender documents, the decision was made to award this project to the out-of-province service provider."

Fraser, like many other people in Saskatchewan's manufacturing and construction industries, believes that there should be a provision in the public sector procurement process

for local content – as is the case with Ontario's "local knowledge" requirement. Ontario began enforcing this provision (which awards up to 10 per cent for demonstrated understanding of local building codes, standards and markets) for the past year or so and has met with "great success" as a result, according to the Ontario General Contractors Association President Clive Thurston.

"Investments of tax dollars would and should act as additional economic stimulus for our province," says Fraser. "However, a failure occurs when no consideration is made for local content when spending tax dollars. The opportunity for economic stimulus of the local economy is lost when the work is 'exported' to other jurisdictions."

Fraser goes on to suggest that a simple scorecard or point system should be used, one that sees all aspects of a contractor's tender being weighted and considered, including their use of local labour and material supply.

"Many of these projects in which only price is considered at the tendering

stage end up experiencing cost and schedule overruns and ultimately land in lawyers' hands and result in litigation," says Fraser, who cites B.C. Place and the Winnipeg Football Stadium as prime examples.

In the former case, litigation issues arose with Quebec-based Canam and French-based Freyssinet. Canam cited \$40.5 million in cost overruns, allegedly due to negligence on the part of Freyssinet. In the latter case, Calgary-based Dominion Construction filed a lawsuit against Quebec-based Structural Heavy Steel for \$14.3 million in special and general damages and an additional \$1 million in punitive damages.

Monte Allan, President of Allan Construction Partnership, a Saskatoon-based general contractor specializing in industrial and civil projects, is another firm believer in the value of the local content.

"This is the third time in my life where I have seen the Saskatchewan economy boom only to witness a flood of out-of-province companies swoop in

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to grab the low-hanging fruit," he says. "Once the economy begins to slow down, they'll all leave again – and take any corporate profits with them."

According to Allan, the Saskatchewan construction industry is a relatively small community – small enough that it pays to be fair in dealing with each other.

"We all know each other and are acquaintances," he says. "As a result, you have a tendency to make sure to treat each other with respect because you might just run into somebody at the grocery store or at a social event."

Paying into the economy is another reason why Allan is such a strong proponent of the local-knowledge provision.

"We work a lot harder on apprenticeship programs than our

out-of-province counterparts because we care about the economy," he says. "And we care about our employees and our community. This is our home. We want it to prosper."

Contributing to the local economy also means helping it, not only through generating local jobs but also by helping those disadvantaged. "I can give the company away every day in charitable donations," says Allan. "Those companies that are parachuting in while the economy is booming don't care about the local Ronald McDonald House or other charities. They are taking their money home with them."

Another component to the local-content provision is the fact that the Saskatchewan-based companies have spent hard-earned dollars to learn their industry.

"We have spent a life time here," continues Allan. "We've learned about our market, our jobs, our soils. We know what it takes to build things properly. We have seen some problems arise at our job sites because out-of-province companies don't possess the same degree of local knowledge as we do. We didn't earn that knowledge cheaply. We had to pay for mistakes that we made while acquiring this knowledge. Everything comes at a cost."

All of this stacks up in favour of following Ontario's example and incorporating a local knowledge component into the public procurement process, at least according to some.

### The Truth Behind Public-Sector Tenders

When it comes to public-sector projects, there are a variety of



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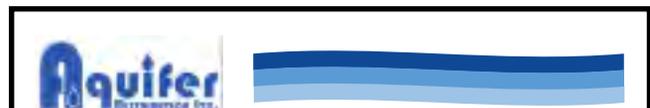
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projects procured through different government organizations, including ministries, crown corporations and agencies. In Saskatchewan, public-sector procurement is administered by the Ministry of Central Services through the SaskTenders website. Government construction projects fall under the purview of this ministry.

The municipal, academic, schools and health (MASH) sectors, along with crown corporations, also use the SaskTenders site to advertise their tenders.

According to Rob Isbister, Director of Purchasing for Central Services, the ministry awarded a total of \$59.9 million in tenders for 195 construction-related contracts in the 2013-14 year. These projects typically include new construction, renovation or maintenance-related work for government-owned facilities. Of the 195 projects that took place in the last year, 48 of them had a value of more than \$100,000.

Those projects with a value of more than \$100,000 are tendered publicly on the SaskTenders website, as required by the New West Partnership Trade Agreement (NWPTA) and the Agreement on Internal Trade (AIT), while the lesser value ones are usually sourced through invitational tenders. Public-sector groups are responsible

for how they handle their own tenders from development of the tender all the way to awarding the contract.

“Our commitment is to open, fair and transparent procurement practices and following our commitments under the trade agreements,” Isbister says. “Our ministry plays a larger role in procurement since we administer the SaskTenders website, but individual public-sector groups manage their own procurement practices and procedures.”

All public-sector tenders in Saskatchewan are subject to obligations established under the NWPTA and the AIT. Public competitions must provide equal and transparent opportunity for all Canadian contractors, sub-contractors, suppliers and manufacturers to participate.

“Each tender/project is unique in terms of timelines and the award process. Construction tenders are typically awarded to the lowest qualified bidder, but not always. The groups tendering are responsible for scoring and awarding the bids,” Isbister says. More often than not, this means that most of the bids are awarded to the firm with the lowest bid.

“At all government levels, low cost is usually what wins, at least in

Saskatchewan,” says Supreme Steel’s Fraser. “This isn’t necessarily the case in other jurisdictions, like Ontario or Quebec.” The case is similar with the awarding of P3 contracts, which falls under the provincial jurisdiction of SaskBuilds.

“SaskBuilds was announced in the Saskatchewan Plan for Growth in October 2012 to meet the challenges that a growing population and thriving economy are placing on provincial infrastructure,” explains Rupen Pandya, President and CEO of SaskBuilds. “SaskBuilds’ mandate is to explore alternative procurement opportunities to drive innovation in infrastructure financing, design and delivery.”

According to Pandya, traditional procurement methods will continue to be the right approach for the majority of the government’s infrastructure projects. But, he adds, the experience gleaned from other jurisdictions and the more than 200 P3 projects complete or underway within Canada shows that P3 projects generate cost savings for very large or complex projects – those typically in the \$100 million+ range.

“RFPs for P3 projects are evaluated based on the proponent team’s ability to meet the established technical requirements and financial bids,” says

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Pandya, who adds that the timelines of the RFPs vary between eight to 12 months.

To date, SaskBuilds has four P3 projects on the books: the Swift Current Long-Term Care Facility, the Saskatchewan Hospital North Battleford - Integrated Correctional Facility, the Regina Bypass, and nine joint-use elementary schools.

SaskBuilds' Pandya suggests that each P3 project will benefit the Saskatchewan economy.

"We can't speculate about awarding projects while we are in the procurement stage, but looking at the experiences of other jurisdictions like British Columbia and Alberta, we see that many of their local businesses are actively involved at both the proponent team level and subcontractor level and that the projects employ local workers," he says. "P3s will help generate more jobs and opportunity because our government will be able to initiate more large projects concurrently. More infrastructure projects underway means there are more potential job opportunities for the people of Saskatchewan."

In the end, the construction industry can hope that local jobs and a growth in local economy are part of the net

results of a P3 project. But whether or not they will provide for some local advantage for contractors and companies remains to be seen.

"The province must consider our various trade agreement obligations, and it isn't possible to give preference to our local businesses without contravening our provincial, national and international trade agreements," Pandya says. "Saskatchewan benefits from this fair and neutral approach because we want to keep a level playing field for Saskatchewan businesses wanting to compete for projects in other jurisdictions." (Saskatchewan is a signatory of the NWPTA with Alberta and British Columbia and, as such, is prohibited from implementing a local-benefit clause into public-sector tenders. Ontario, on the hand, which is not a signatory of the NWPTA, has implemented just such a clause called "local knowledge".)

Although a local knowledge clause may not be in the immediate future of any P3 or private tender within Saskatchewan, it may appear in some form or another in a different way.

Saskatchewan Premier Brad Wall just announced in June of this year that he has charged Minister of Justice and Attorney General Gordon Wyant to establish a special branch of SaskBuilds

called Priority Saskatchewan "...to help ensure Saskatchewan companies are being treated fairly when it comes to bidding on Saskatchewan projects, whether they are government-tendered projects or private sector projects. We have been hearing growing concerns about some other provinces giving preferential treatment to their local companies, so we are going to make sure there is a level playing field and Saskatchewan companies are not at a disadvantage."

Regardless of what the future may hold with SaskBuilds and potential P3 projects, the fact remains that the sheer size of P3 projects puts many local firms out of the running.

"Government procurement projects need to be well thought through," says Supreme Steel's Fraser. "For example, the government wants to put nine school projects into one P3 bundle for an approximate combined value of \$360+ million. There are few companies in Saskatchewan large enough to handle that. P3 partnerships eliminate some of the local competition right from the get-go. I think the key is for government to limit the size of the contracts so that local contractors aren't eliminated from bidding on the project."



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## Moving Forward

Evidence would appear to show that local purchasers and businesses – be they public sector or private – do generate a net local benefit for their communities. The very basis of competition, however, dictates against providing for any advantage to the local player. Such is the very premise behind government tendencies to award projects based on the lowest bid – in order to get the most value for the taxpayers. But is this bottom-line value coming at the expense of local economic value?

Dylan Jones, President and CEO of the Canada West Foundation, a non-partisan research institute charged with the mission to increase the prosperity of western Canada, strongly believes in fair and equitable competition.

“We made sure that we developed

very strong provisions to protect the non-discriminatory nature of the NWPTA,” says Jones, who was involved in the development of the regional trade agreement.

According to Jones, any protectionism measures like a local knowledge clause only serve to hurt the economy, with parties typically attaining short-term goals at the expense of long-term economic growth.

“The problem is that every time a government adopts protectionism measures, it ends up hurting their exports,” he says. “One of our goals with the NWPTA and the reasoning behind protecting its non-discriminatory measures was to intensify competition between businesses in the west so that they could better compete locally.”

So where does the Saskatchewan construction industry go from

here? The province’s regional trade agreement prevents it from implementing a local knowledge clause. Other provinces don’t have such a restriction and their local businesses are benefitting as a result. Saskatchewan-based firms are putting pressure on government to implement change. And the province’s construction tenders are continuing to be awarded, for the main part, to the lowest bidder.

“We are not asking for government money or investment directly in our industry, just some type of consideration of the net benefit that local companies can provide,” Ross Fraser says. “If industry leaves, future governments will have to provide funding to attract companies like ours back to Saskatchewan.”

Mark Cooper, President and CEO of the Saskatchewan Construction Association, echoes Fraser’s concerns and anticipates positive changes in the days ahead, specifically from the new Priority Saskatchewan branch of SaskBuilds.

“The push by our industry to see government enact policies that seem to favour local business is really an effort to level an unbalanced playing field when it comes to public procurement,” Cooper says. “Construction companies are happy to compete, and typically thrive on competition. What doesn’t work is ‘free’ trade that isn’t really free and definitely isn’t fair. We need to put an end to market-distorting competitive advantages that other provinces give to their industry. In the meantime, those distortions should be considered by the province when making decisions about awarding new contracts. Hopefully, that’s what the newly announced Priority Saskatchewan will be all about.”



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# BANG FOR YOUR BUCK

## How Advisors Can Add Value to a Project

By Jillian Mitchell, Staff Writer, DEL Communications Inc.

Knowledge is power. Whether you employ your advisor from project conception to completion or midway concerning a particular phase or task, there are a few areas to consider in order to achieve a desirable end result.

Client requirements vary, and consulting offerings are many. As simple as it sounds, a set of criteria can be an owner's best tactic when considering consulting services. This exact list can make all the difference

to a project outcome, in essence dotting all of the i's and crossing the t's.

Advisors provide a full spectrum of services from conceptual stages to all levels of construction – i.e. risk management, project management, planning/programming and cost/quantum advisory services throughout a project lifecycle – so it's important to ensure the right advice is garnered from the right advisor when



Jason Gasmø.



planning and managing construction projects.

"A financial consultant is to an investor what an engineer-consultant is to an owner," says Jason Gasmø, geo-technical engineer at Clifton Associates and chair of the Association of Consulting Engineering Companies - Saskatchewan (ACEC-SK). "When people are looking to spend their money and build something, they want to know the best way of doing that; they want the most value and return on their dollar."

As Gasmø suggests, a successful project boils down to owner discretion. As such, he recommends that owners should determine their own needs in the early phases of a project prior to hiring an advisor or advisory team.

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## “A financial consultant is to an investor what an engineer-consultant is to an owner.”

The following points, says Gasmó, may assist owners with criteria development when considering consulting services:

- What is my risk tolerance?
- What do I want in my final deliverable?
- Do I want to foster a short- or long-term relationship with an advisor? Will they be working with me from conception to completion or during a certain project phase?
- Do I need one advisor for a certain area or a team of advisors for multiple areas?
- What is the advisor’s experience level? Do they have references?
- What is my delivery model? (Different delivery models require

different consulting services.)

- Are there any elements missing from my project? Anything overlooked?

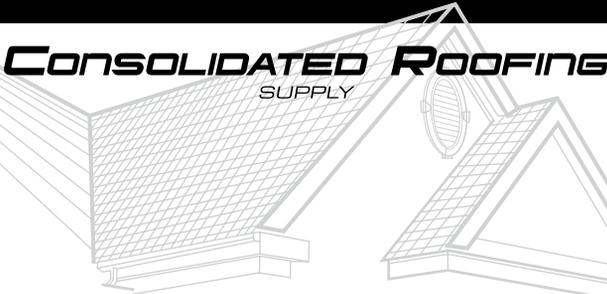
Once the criteria has been established, it’s time to contact an advisor—but which one? Gasmó recommends contacting the Association of Consulting Engineering Companies-Saskatchewan (ACEC-SK), formerly the Consulting Engineers of Saskatchewan (CES). For nearly 40 years, the association has provided the link between owner and advisor. Their database encompasses a broad variety of companies and skill sets.

At the end of the day, projects should be economically sound and financially

feasible. Engaging a consultant from the beginning, says Gasmó, can mitigate risk along the way, while creating the desired outcome.

“Consulting-engineering companies, that work is their line of business,” he says. “Do it yourself without a firm? Maybe you stumble through a few things. You’re not getting the advantage of experience a consulting firm can provide.”

“The big benefit of having an advisor on a consulting/engineering standpoint would be they’re going to get the best value for their investment by having an advisor right from the start.”



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# INTERPROVINCIAL TRADE: CREATING A LEVEL PLAYING FIELD

By Melanie Franner, Staff Writer, DEL Communications Inc.

## Executive Summary

Evidence continues to mount against the Agreement on Internal Trade (AIT) being able to reduce interprovincial trade barriers in a fair and equitable manner. Over time, it has proven to be a fragmented and disjointed agreement that just isn't up to doing the job. Quite the opposite: estimates suggest it's costing the Canadian economy up to \$50 billion a year.

The development of regional trade agreements shows that there are other, workable options available, as have

reviews of regional trade agreements at work in other countries.

With the potential of international trade agreements hanging in the balance, the need for a revamped or redeveloped interprovincial trade agreement is now. And no one is happier with the prospect than industry itself.

The question that remains is if and when industry will get its wish and just what form that wish will take.

It has been almost 20 years since the Agreement on Internal Trade (AIT) was introduced in Canada in an effort to encourage open competition and reduce domestic trade barriers for companies operating within the country's provinces and territories. Since that date, July 1, 1995, the AIT has been found to be increasingly inadequate in doing just that. So much

so, in fact, that current estimates from the Ottawa-based Public Policy Forum suggest the AIT is costing the Canadian economy anywhere between \$3 and \$50 billion a year.

Not surprisingly, other regional trade agreements have since come into the mix. Canada has seen the development of the New West

Partnership Trade Agreement (NWPTA), the Ontario-Quebec Trade and Cooperation Agreement (TCA), the New Brunswick-Nova Scotia Partnership Agreement on Regulation and Economy (PARE) and the Atlantic Procurement Agreement (APA).

The federal government held a conference on the AIT, in conjunction

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Left to right: Clive Thurston, Michael Atkinson, and Dylan Jones.

with Canada's Public Policy Forum, to explore the obstacles to internal trade and potential solutions in June 2013. Key findings and recommendations from the conference's final report, entitled *Canada's Evolving Internal Market - An Agenda for a More Cohesive Economic Union*, acknowledged that these regional, domestic trade agreements represent "promising steps towards greater liberalization" but that significant challenges continue to restrict the country's internal market.

In May of this year, the federal conservative government finally acknowledged that the AIT needs work. Federal Industry Minister James Moore has publically stated that his number one priority is a new internal trade agreement to replace the AIT.

As to when this will take place - and how the new agreement will differ

from the existing AIT - that remains to be seen. One thing for certain, there are a lot of Canadian companies interested in adding their two cents to the mix that can speak first-hand of how not to do things in the new agreement.

### Paved With Good Intentions

According to information managed by the Internal Trade Secretariat, the purpose of the AIT is to "reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services and investment within Canada and to establish an open, efficient and stable domestic market".

Since it was introduced, the AIT has undergone 13 protocol amendments to better meet the evolving needs of businesses, workers and consumers. Unfortunately, in its current state today, it remains lacking.

"The main flaw in the AIT is that the dispute settlement provisions must be initiated by governments," says Michael Atkinson, President of the Canadian Construction Association (CCA). "Should a construction firm have an issue with their treatment in a province outside their home jurisdiction, they must rely on their provincial government to initiate a dispute on their behalf, which can take a considerable amount of time and resources. Direct private sector access to these provisions would be preferable."

A case in point is Alberta's 2010 win in getting Ontario to remove its ban on the sale of products that mix butter or milk into vegetable oil or soy-based products. The province initiated its trade complaint almost a decade before the decision was granted. The initial 2004 win on the topic proved bittersweet when Ontario fought it

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# INTERPROVINCIAL TRADE

anew through new regulation and Alberta was forced to initiate a new complaint. (Of note, the initial issue of prohibiting the sale of such products stems from Ontario protectionism of its dairy industry.)

Labour mobility and discrimination practices are other important aspects of the AIT. But these, too, have proven to be problematic.

“The most clean example of how AIT is of benefit to Canadian construction companies looking to work within and outside their own provinces is the principle of non discrimination that enables companies to bid on projects outside their home provinces without fear of discrimination or the application of ‘local price preferences, biased technical specifications, unfair registration requirements and other discriminatory practices,’” explains Atkinson. “In other words, in theory, it provides a level playing field. The AIT also ensures labour mobility by ‘enabling qualified workers to practice their occupation anywhere in Canada by eliminating residency requirements, requiring licensing,

certification and registration of workers to be based primarily on competence, committing to recognizing a worker’s occupational qualifications and reconciling differences in occupational standards’. It also provides a formal government-to-government dispute settlement process.”

In theory, as Atkinson points out, the AIT should work. But in practice, it does not.

Take the much-publicized example of the crane operator from Quebec who wasn’t allowed to work within the province of Ontario because of a dispute in job titles between the provinces. A 2008 protocol amendment to the AIT was supposed to prevent just this type of thing from happening. The crane operator initiated a grievance in November 2010 and, after much bureaucracy and red tape, was deemed to be entitled to \$1,500 in compensation.

Not only does the AIT still pose labour mobility “flaws” when it comes to recognizing actual job titles between provinces, as evidenced by this case, it

also “allows” for loopholes that could affect the awarding of contracts to out-of-province firms.

One of the more prominent examples of the latter is the case of Ontario adding in a clause for “local knowledge” in the bidding process of public sector projects. Introduced during the final stages of the McGuinty period, the local knowledge requirement is deemed by some to contravene the AIT’s fair trade policies. Essentially, it has the potential to account for up to 10 per cent during the bidding process.

“It really isn’t as much about local knowledge as it about being a competency component,” explains Clive Thurston, President of the Ontario General Contractors Association (OGCA), one of the organizations that led the charge to implement the policy. “Calling it local knowledge has led to a few problems but essentially, we started the process, along with the Construction Design Alliance of Ontario, several years ago when the large multi-nationals began coming into Canada.”



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According to Thurston, the OGCA was on the receiving end of several complaints from Ontario-based companies.

“There were some big questions when it came to the safety and procurement policies of these multinationals,” he notes. “The government, of course, assumed that our Canadian companies could learn from the multinationals. As far as we were concerned, it was a show of disrespect on their part to assume that our construction companies were substandard to the internationals. The reality is that the internationals are learning from us.”

Thurston adds that Canada has a unique bidding process for public sector projects, P3 projects aside.

“In Canada, the tendering process calls for us to put in our best price at the time of close,” he says. “The process is based on those bids being compliant. History has proven that a lot of these multi-nationals have compliance issues and/or are shopping their subtrades. These matters don’t always come into play when the government is looking at best prices.”

The local knowledge requirement asks potential tenders to show that they possess an understanding of how to deliver construction projects in the province (i.e. knowing the building codes and standards, complying with established health and safety regulations and using local resources toward incorporating “green” components).

“There is no attempt to create barriers to other Canadian companies,” adds Thurston. “This process should not be viewed as causing Canadian companies problems. Every Canadian company should be able to comply with these requirements. Being a

Canadian company, they should already be familiar with the Ontario building code standards and health and safety regulations. It should be a no-brainer for these firms to comply with the local knowledge provision.”

The local knowledge requirement has been used as part of the public sector procurement process within Ontario for approximately one year.

“It’s been working well,” says Thurston, who adds that the OGCA was in talks with government to broaden the local knowledge requirement to include other relevant standards such as COR and Gold Seal Certification for workers. He anticipates that these talks will continue once the upcoming election is over.

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## Enter the NWPTA

The New West Partnership Trade Agreement (NWPTA) came into force on July 1, 2010 to address four “pillars”: procurement, innovation, international competitiveness and trade. The NWPTA, which focuses on just the issue of trade, became fully operational in July 2013 among the provinces of Saskatchewan, Alberta and British Columbia.

“The NWPTA deals with broader issues than just barriers to trade, including the harmonization of standards and regulatory requirements,” says CCA’s Atkinson. “From a CCA perspective, any agreement that reduces the regulatory or standards burden inherent to businesses working in multiple jurisdictions would be of considerable benefit and welcomed by the CCA membership.”

Dylan Jones, President and CEO of the Canada West Foundation, a non-partisan research institute charged with the mission to increase the prosperity of western Canada, was involved in the development of the NWPTA.

“Alberta and British Columbia had started a regional trade agreement called TILMA, which formed the foundation of the NWPTA,” he says. “It was very important for the premiers at the time to broaden the agreement to more than just trade. The rationale behind the new agreement was that each province in western Canada had a small domestic consumer market. It’s a lot easier to attract investors when you have a large domestic market.”

According to Jones, the first goal of the NWPTA was to attract potential investors via a collective market of \$500+ billion. The second goal was to create the proper conditions for business and job growth, specifically to satisfy the region’s export-based economy. Another goal was to improve standards. Research showed that harmonized standards resulted in improved standards – and improved safety in the long run. And the fourth and final goal of the NWPTA was to intensify competition between businesses in the west so that they could better compete on a local level.

The AIT was not the impetus behind the development of the NWPTA, says Jones.

“It wasn’t possible at the time to have the type of trade agreement that we wanted on a national scale so we decided to pursue a coalition on our own,” he says. “There is no question on my part or with the other architects of the agreement that we hoped the creation of the NWPTA would stimulate reform on a national level.”

To date, this hasn’t happened.

“The NWPTA has succeeded in many obvious ways,” says Jones. “For example, there has been significant improvement in transportation regulation. There is now common business registration. And there has been a lot accomplished in improving standards. At the same time, there is no doubt that there is a lot more work to be done. Trade agreements take a long time to take effect and this one is still in its infancy.”

Another thing that has become obvious since the NWPTA was introduced is how different it is from the AIT.

“The NWPTA is fundamentally a principled agreement,” Jones says. “It has very clear articulation about its goals and rules.” The AIT, on the other hand, can be described as convoluted and complex. “There is no coherent vision in the AIT of what a common market in Canada looks like,” he says.

## The Better Choice

“My main concern with the AIT is that it has very poor mechanisms in place to enforce trade agreements,” says Ross Fraser, Senior Vice President of Supreme Steel LP. “The other side of the issue is that there is no consideration of trade-distorting



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policies such as government economic subsidies, grants and loans within the AIT.”

The NWPTA does manage to provide clear and concise direction when it comes to trade and labour movement between the three western provinces, but it also brought the overwhelming need for a unified agreement among all Canadian provinces and territories to the forefront.

One of the drawbacks of the NWPTA is that its rules and guidelines are applicable only to those provinces that have entered into the agreement. True, the three signatory provinces have a combined market of almost nine million people and gross domestic product of more than \$585 million. But in the end, it’s still only three provinces – not the big enchilada of 13 provinces and three territories.

This comes into play no more so than with the case of Ontario and its local knowledge provision. The NWPTA prohibits discrimination among the signatory provinces, which means that provinces that have signed onto the NWPTA cannot implement similar local knowledge provisions. And this, says Jones, is a good thing.

“When the McGuinty government wanted to ambitiously pursue wind power, it knew that it was going to buy a lot of windmills so it tried to create a green energy industry by stipulating that a certain portion of those windmills had to be sourced from Ontario companies,” explains Jones. “When the procurement was complete, the province ended up with an industry capable of producing very expensive windmills. This was an example of how government can focus on short-term employment goals instead of long-term economic ones.”

For Saskatchewan-based companies like Supreme Steel, it’s a tough pill to swallow. The company competes fairly with other companies in the west, but it can be at a disadvantage when it comes to procuring projects in central or eastern Canada. Not only that, but Supreme Steel is philosophically all about improving the western economy.

Fraser admits that, in order to reduce pricing, his company has researched the possibility of importing fabricated steel from China – and has found it to be a viable but costly option.

“We looked into importing fabricated steel from China and found that we can bring landed fabricated steel of the same quality we produce here at a significantly lower cost than we can produce it in Saskatchewan,” explains

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Fraser. "But I don't want to close our operations. I want to keep the jobs in Saskatchewan and help contribute to the province's economy."

China is just one example of how Supreme Steel is facing increased competition. There are others examples right here in Canada.

"The NWPTA went a long way to eliminating the trade barriers that were still in place under the AIT," Fraser says. "What it doesn't cover is trade-distorting policies, like government subsidies, grants and loans."

According to Fraser, there are many examples of trade-distorting policies that occur regularly across the country – all of which affect fair trade and a level playing field among the provinces and territories.

Take the example of the Davie Shipyard, which has benefitted from Quebec economic development grants and subsidies.

"A few years ago, Davie Shipyard was almost bankrupt," notes Fraser. "Today, it is attempting to take work away from a Vancouver ship builder by offering to do the work at significantly reduced prices. They are using money obtained from the Quebec government to subsidize their lower pricing. We believe a similar thing occurred a number of years ago when ADF Group, a steel fabricator located in Montreal, was on the receiving end of provincial grants and funding. Today, they are competing with us for work in western markets."

Earlier this year, MacDougall Steel was awarded \$3.7 million from P.E.I.'s Century 200 Fund Inc. to support a plant expansion that will compete

with non-subsidized steel fabricators across the country. The company will also be the recipient of other financial "favours" from the province, such as the consolidation of an existing \$1.4 million loan for an earlier expansion.

There is also the example of Marmen, a high-precision machining company based in Quebec, which has secured a \$5 million loan from the provincial government for a new expansion project. And the \$250 million loan from the Quebec government for the development of a McInnis cement plant in the Gaspesie region of the province – despite aggressive lobbying from the Quebec cement industry.

## And The List Goes On

It would appear that some provinces on the receiving end of equalization payments are using portions of that money to subsidize local companies that can then go out and compete with companies based in provinces that have helped generate those equalization payments.

"I believe that economic subsidies and other trade-distorting policies should be eliminated," says Fraser. "And I believe that until such time as there is a national and properly worded AIT, there should be some allowance for local benefit in the public procurement process."

And thus, there arises the big question. Is it better to create a band-aid solution until a new national trade agreement can realistically level the playing field or to hold strong in order to encourage a business environment that necessitates reform?

"The problem is that there are fundamental differences between the different regions of Canada in

terms of how they have developed their economies," says Canada West Foundation's Jones. "From the get go, the west has been all about exports. The centre of the country, on the other hand, has created wealth through government policy. Their success in building a strong manufacturing base hasn't been about aggressively seeking to grow globally but about government policy. There is a whole lot of protectionism in central Canada's economy. Yes, we do have a bit of it in the west, but central Canada has a much deeper experience with it and they have a lot longer journey to travel to overcome it."

Jones describes Newfoundland and Labrador as a unique economy in that they want to implement protectionist measures and have a rich enough commodity that they might be able to pull it off.

## The Aussie Solution

A September 2013 research paper entitled *A Comparison of Internal Trade Regimes: Lessons for Canada* from Kathleen Macmillan of International Trade Policy Consultants Inc. reviews four other countries' internal trade agreements: the United States, the European Union, Australia and Switzerland.

"In terms of lessons for Canada, a broadly applied mutual recognition scheme would be a successful way of overcoming divergent regulatory barriers," Macmillan notes in her report. "It could prove especially effective in addressing incompatible product technical standards and, as Canada has recently discovered, professional qualifications. For more sensitive sectors such as food and agriculture, other jurisdictions

have relied on harmonization instead of mutual recognition. In instances where health, safety and environmental protection are a particular concern, Canadian governments might find, as other governments have, that common standards provide an additional measure of confidence that regulatory goals are being met.”

According to Macmillan, none of the agreements, except perhaps that of the European Union (where investment incentives are governed by the commission’s rule pertaining to state aid), have been more successful in addressing the issue of distorting investment incentives than the AIT. She notes, “the Australian states have come close to agreeing on a voluntary set of disciplines.”

And there are other advantages built into the Aussie system as well.

“The distinguishing feature of Australia’s internal trade regime is the high degree of intergovernmental cooperation that exists,” she states in the report. “The Australian commonwealth, state and territorial governments have worked collaboratively to foster an integrated market and reduce regulatory impediments. They have also been prepared to establish the necessary institutions to monitor and promote internal trade.”

Perhaps one of the most striking comments of the report is the need for trade agreements to continue to evolve.

“Through the active participation of their Council of Australian

Governments, Australia regularly monitors the operation of its internal market and seeks out foreign trade arrangements that that serve its reform objectives including, most recently, regulatory cooperation,” Macmillan notes. “Their experience provides a critical lesson for Canada: Markets are dynamic, constantly changing and creating new challenges and opportunities. There is an ongoing need for internal trade regimes to evolve to meet these new conditions.”

### Can The AIT Be Fixed?

According to the aforementioned Public Policy Forum report, *Canada’s Evolving Internal Market – An Agenda for a More Cohesive Economic Union*, there are several existing challenges that continue to restrict Canada’s interprovincial trade.



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Among these are: an overlying lack of data and research on the economic impact of internal trade barriers; a lack of leadership and governance mechanisms to promote ambitious and inclusive action on trade issues; key systemic challenges within the AIT, such as the fractured harmonization efforts; and a failure to resolve sector-specific challenges, especially around corporate registration and reporting.

Not to lose hope, the Public Policy Forum also had the following recommendations designed to improve internal trade:

- Governments, businesses and academic institutions need to allocate the necessary resources to expand data sets, as well as research capacity around internal trade issues.
- Committee on Internal Trade (CIT) Ministers, with the support of First Ministers, should create a work plan that outlines a common approach for improving trade in Canada generally and strengthening the AIT specifically.
- First Ministers should give CIT Ministers that mandate, direction and support required to take the lead on removing interprovincial trade barriers.
- Provincial and territorial governments should play a “champion” role to help drive the internal trade agenda forward.
- Governments should strengthen the CIT Chair position through longer-term limits and an enhanced ability to set the agenda.
- Leaders should make the process of amending the AIT more open and inclusive of non-government stakeholders.

- Governments should allocate more resources to the AIT Secretariat to provide research and coordination on internal trade issues.
- Regulatory processes should be aligned by establishing an AIT chapter on technical barriers to trade.
- Where possible, policy makers should adopt the negative list approach in the AIT, bilateral trade agreements and other internal trade initiatives.
- Canada’s internal and international trade agreements and regulatory processes should be aligned by establishing a pan-Canadian regulatory alignment council.
- Policy makers should develop a roadmap for reducing the burden of corporate registration and reporting practices.
- Create a corporate “registry of registries” and a “one-stop shop” for corporate registration.

Whatever direction Canada goes from here, the one point on which all parties will agree is that the country is in need of a new interprovincial trade agreement. This is being driven not only by the provinces themselves, but by the federal government as well.

“The impetus may well be the Comprehensive Economic Trade Agreement with Europe, which is expected to deal with many of the outstanding AIT issues,” says CCA’s Atkinson. “One might suggest that if the AIT is not amended, the CETA could give European firms better access to the interprovincial Canadian market than firms resident in Canada.”

Atkinson adds that the CCA “would like to see a revised AIT deal with further harmonization of training and certification standards, regulatory harmonization where possible (i.e. road regulations), and direct private sector access to the agreement’s dispute settlement provisions.”

The organization’s current policy “supports the free and unfettered movement of construction materials, services and personnel within Canada and is opposed to all regional barriers and preference policies.”

Canada West Foundation’s Jones deems it highly unlikely that the AIT can be salvaged.

“The AIT is a terrible framework for a new trade agreement,” he says. “It’s the best that we had at the time but it is inadequate to do the job as we move forward.”

Whether a new national trade agreement will take the form of a reformed AIT or be based on a more workable agreement, like the NWPTA, remains to be seen.

“The federal minister has a lot of courage to take this on,” says Jones. “It will require some very strong premiers to champion the cause. Federal leadership likely won’t be enough. It’s going to need the backing of some strong premiers in order to get this done.”

“I think the most likely scenario will see the spread of the NWPTA to other provinces until it gets to the point that it is the dominant agreement in the country,” says Jones. “At that point, it will be officially adopted as the relevant trade agreement for Canada.” 

# PRE-PURCHASING CONSTRUCTION MATERIALS IS NOT WITHOUT RISK

By Lisa Fattori, Staff Writer, DEL Communications Inc.

While the pre-procurement of construction materials may seem like smart planning, owners of projects need to be aware of the pitfalls of side-stepping supply chain protocols and the potential for disruption, downtime and added costs. Delayed deliveries, damaged products or materials that don't conform to design specifications become the responsibility of owners, who must then rectify the situation and deal with the myriad of details associated with disruptions to the construction schedule. Attempts to download the risk to contractors muddies the circumstances further and can lead to the filing of claims, with no parties taking responsibility for the materials in question.

In 2008, the Canadian Construction Association (CCA) published *Risks of Pre-Purchasing Equipment and Materials for Construction Projects*. The document outlines the risks and associated costs that should be considered when determining whether to pre-purchase equipment or materials, and stresses the importance of looking beyond any presumed cost savings or scheduling advantages of procuring materials independently. For situations where pre-purchasing is the more prudent option, the document provides owners with a checklist of best practices, to avoid potential conflicts.

"The concern is that owners are pre-purchasing without taking into account all of the factors," says Michael Atkinson, President of CCA. "If prices are expected to go up and you buy now, is that truly going to save you money in the long run? What we're saying is that if owners are going to pre-select and purchase equipment and materials, then they have to assume the risk. In such circumstances, contractors should only be asked to warrant their labour. They should not be expected to guarantee or warrant that the pre-selected materials are fit for the purpose intended or meet certain performance criteria."

Owners may choose to pre-purchase for a number of reasons, including price advantage, sourcing from an affiliated company or the need to match specific items in an expansion or retrofit project. In situations where there is a long lead time to source, manufacturer and delivery specific items, owners can assign purchase orders using cash allowances to contractors. Contractors have expertise in product knowledge and they have established relationships with suppliers, who want to provide the best possible service for their regular clientele. When contractors procure the specified materials, they assume the risk and have a clear line of communication with suppliers, in the event of a problem.

"With very large contracts, oftentimes the consulting engineering firm will procure some of the major equipment, but it's the contractor, not the engineer, who knows about the best value," says Paul McLellan, CEO of Alliance Energy. "I have a relationship with the supplier and control what I'm installing. I take on the risk. Pre-purchasing by owners is an interference of a process that's been around for hundreds of years."

Contractors who are bidding on a pre-purchased project may add a surcharge in anticipation of downtime that may occur because of late or damaged materials – an added expense for owners that negates any cost savings expected through pre-purchasing. Contracts need to be very clear about who is responsible for the purchase and performance of materials and should express the expectations of contractors, who are asked to install pre-purchased equipment and materials.

"If I have a choice, I'll spend my time on a project that doesn't involve pre-purchasing," McLellan says. "Many contractors shy away from those projects, which restricts the number of companies that will bid. Owners are limiting themselves, by not attracting the best people for their projects." ■

# CONSTRUCTION INFLATION RATES

By Doug Elliott, Publisher, Sask Trends Monitor

Higher costs for capital projects have been mentioned in several media reports lately. This article looks at the available evidence about changes in these costs in Saskatchewan and how they compare with those in other provinces.

People talk about inflation as if there is only one kind, but there are many kinds of inflation. The one we are most familiar with is the rate of inflation for consumer goods. Statistics Canada also publishes dozens of different inflation rates for such things as farm products, raw materials, residential housing, manufactured goods, and even for some services such as accounting fees. There is also relatively good information about price changes for specific construction materials such as concrete and asphalt. There is, however, no simple “inflation rate” available for the cost of non-residential construction in Saskatchewan.

## Consumer Price Inflation

Inflation for consumers is measured by the Consumer Price Index (CPI). This index measures the price change for goods and services typically purchased by consumers. It is widely used to adjust income tax deductions, pension payments, and wage rates.

In Saskatchewan, the CPI has increased by an average of 2.1 per cent per year over the past ten years with variations as high as 3.2 per cent in 2008 and as low as 1.1 per cent in 2009 (see Figure 1). That means that a typical basket of

## Measuring Inflation

Measures of inflation share a common characteristic. A “basket” of good and services is chosen to be representative of what a target group is buying. The cost of the goods and services in that basket is then determined and set to an artificial level of 100 (for example, 2007=100). The prices for the items in the basket are measured every month or every year and changes in the overall cost of the basket are measured in percentage terms. We have a measure of changes in the cost of goods and services rather than the actual price of the basket.

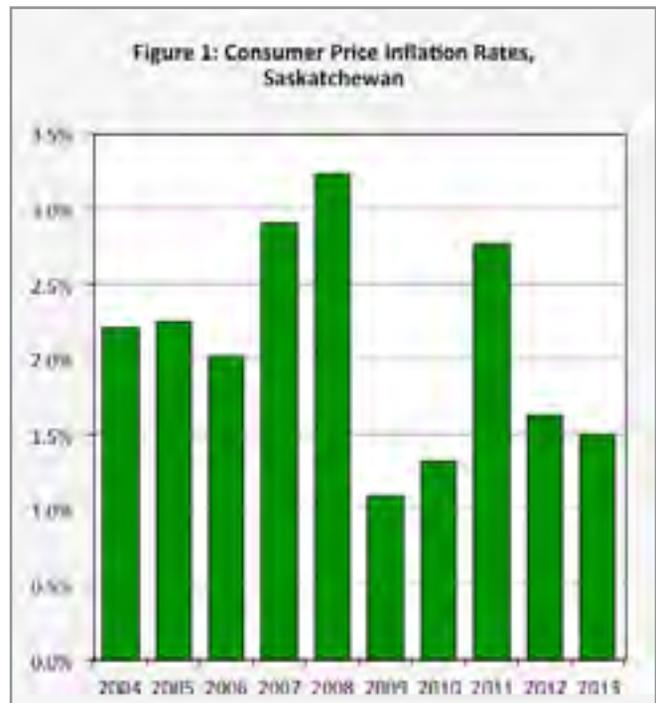
## In a nutshell...

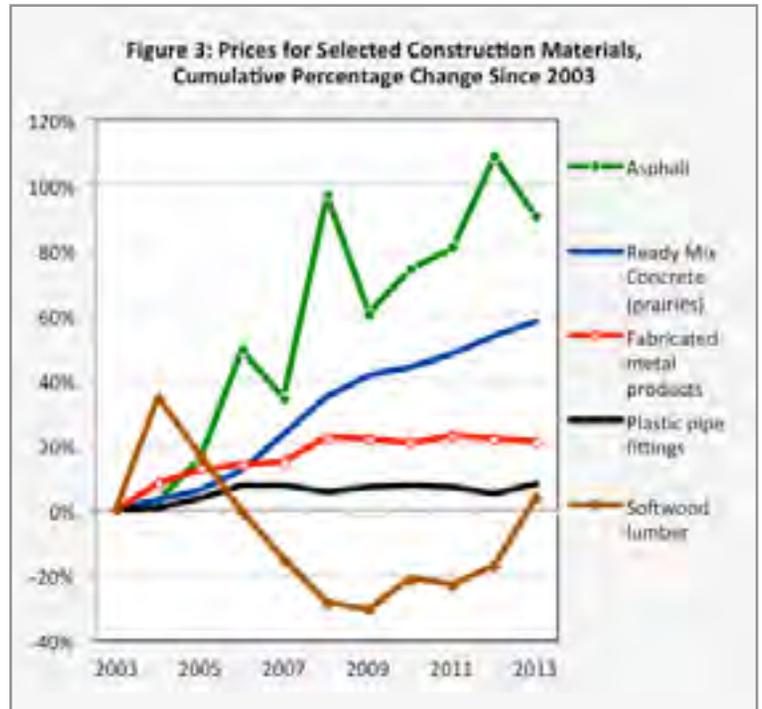
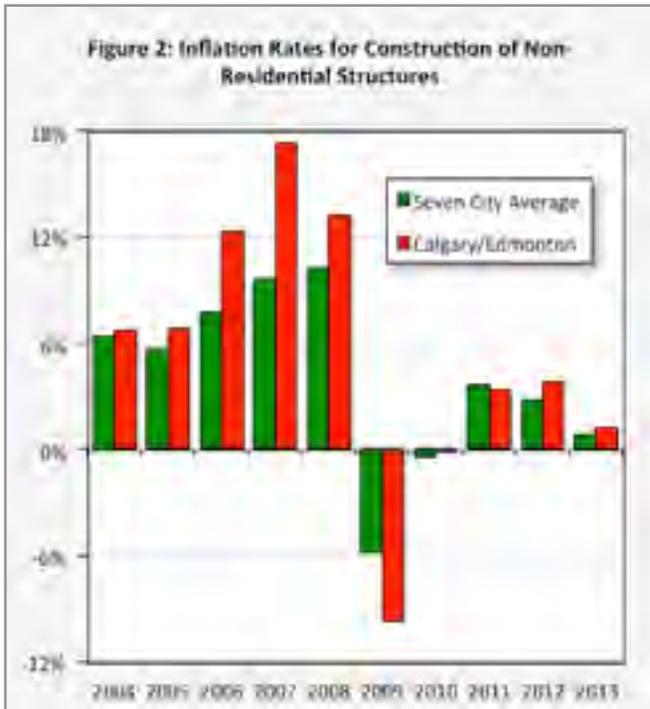
There are no definitive sources of data about inflation in non-residential construction costs in Saskatchewan. The statistics that we do have show that labour and material costs have risen dramatically in the past few years but the increases are not unique to Saskatchewan.

consumer goods and services that cost \$100 in 2003 would have cost \$123 in 2013.

Within this overall inflation rate, the largest increases have been for shelter costs (3.8 per cent average per year), tobacco and alcohol (3.9 per cent), and restaurant meals (3.2 per cent). These have been offset by lower rates of inflation for clothing, household operations, and furniture.

The consumer price inflation rates in Saskatchewan and Alberta are somewhat higher than in other provinces. The rapid increase in shelter costs is the main reason.





### Non-Residential Construction

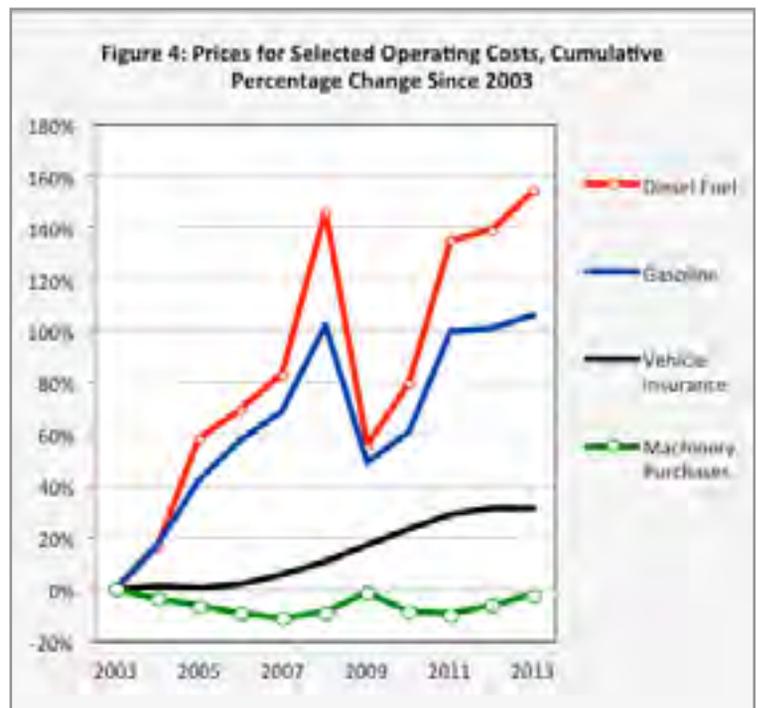
Statistics Canada compiles an inflation rate for non-residential building construction. This index is not particularly useful for Saskatchewan because the province is not included in the data. The index measures the cost of constructing an office, warehouse, shopping centre, a light factory building, or a school. The data is published for Calgary, Edmonton, Vancouver, Halifax and three cities in central Canada but none in Saskatchewan.

Figure 2 shows that the rate of inflation for non-residential construction in the mid-2000s was at double-digit levels in Alberta. Prices fell dramatically in 2009 and have been growing relatively slowly since then, averaging three per cent per year in the last three years. The figures also show that the inflation rate is generally higher in Alberta than in the other cities with the ten-year average being 5.2 per cent, compared to 4.0 per cent for the seven-city average. The higher rate was mainly because of double-digit increase in the mid-2000s.

### Specific Goods and Services

Statistics Canada also publishes prices for a wide variety of raw materials and manufactured goods, some of which are used in non-residential construction. The majority of these materials are measured at the Canada-wide level, but prices for most materials are the same across the country. Figure 3 shows some examples of price change since 2003.

Material costs are very volatile. Softwood lumber prices, for example, increased by almost 40 per cent in 2004 but fell from 2004 to 2009. Asphalt, on the other hand, has increased by 90 per cent over the past ten years and redi-mix concrete has grown by 58 per cent. Besides the cost of materials, construction firms spend money to buy or lease equipment and for operating expenses such as fuel and insurance. Figure 4 looks at trends in the prices for several of these costs.



# CONSTRUCTION INFLATION RATES



The dramatic increase in the price of crude oil translated into a sharp increase in fuel costs in 2008. Prices dropped by nearly 50 per cent in 2009 and have been on an upward trend since then.

The cost to buy construction machinery, on the other hand, has not changed appreciably in the last ten years. This is partly because the value of the Canadian dollar has been, until recently, increasing vis-à-vis the US dollar. This has the effect of making imports less expensive as much of our machinery and equipment is imported from the USA. The shift in production to low-wage countries in Asia has also had a dampening effect on prices.

Another operating cost that has declined in the last ten years is financing costs. The prime rate for the past three years has been three per cent, half of the six per cent charged in 2007.

### Labour Costs

Labour costs for construction projects are significant and are often more than 50 per cent of the total project costs. Labour costs are comprised of wages and salaries, pensions and other benefit costs, as well as wage-related costs such as Workers' Compensation and Employment Insurance premiums. There is no published data on total labour costs but we do have up-to-date information on wage rates in the construction industry.



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**Labour mobility between Alberta and Saskatchewan is also very high, so Saskatchewan employers, by necessity, need to have wage rates that are competitive with those in Alberta.**

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Figure 5 shows that wage rates in the construction industry (the figures include the residential sector) have grown significantly in the last ten years. The average annual increase in wage rates has been 4.8 per cent per year in Saskatchewan. This compares with:

- 2.9 per cent in B.C.;
- 4.4 per cent in Alberta;
- 3.5 per cent in Manitoba; and
- 3.1 per cent in Canada as a whole

This is, in part, a function of supply and demand as the demand for labour often exceeded the supply during the past ten years. Labour mobility between Alberta and Saskatchewan is also very high, so Saskatchewan employers, by necessity, need to have wage rates that are competitive with those in Alberta.

### Summary

We have no definitive data sources for the rate of inflation in construction costs so the assertion that costs are higher in Saskatchewan than in other provinces or growing more quickly cannot be determined one way or the other.

The figures do show that construction wage rates are increasing more quickly here than in other provinces. They also show that the cost of non-residential construction has increased dramatically in the last ten years. This is true for both labour costs, operating costs, and material costs, but the increases are not unique to Saskatchewan.

Source: *Sask Trends Monitor* from the Statistics Canada data. 📊



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# ALLIANCE ENERGY IMPROVES HEALTH CARE FOR SOUTHERN SASKATCHEWAN

## Donation Gives Regina Surgeons the Ability to Perform with Greater Accuracy

*By Jill Clark, Hospitals of Regina Foundation*

When the senior management team at Alliance Energy heard that the Hospitals of Regina Foundation was raising \$2 million for urgently needed surgical equipment at Regina's hospitals, they knew it was an opportunity they couldn't pass up.

"We believe we have an obligation to support the strength, health, and vitality of Saskatchewan communities," says Paul McLellan, Chief Executive Officer of Alliance Energy. "Good healthcare is important to us all, so investing in leading-edge technology for our hospitals seemed like an incredibly meaningful way for us to give back."

"Alliance Energy has been a supporter of our hospitals for many years but when they came on board for this campaign in such a bold way, it was overwhelming," says Nora Yeates, VP of Fundraising, Hospitals of Regina Foundation. "Aside from PotashCorp's million-dollar matching grant, Alliance Energy is the single largest donor to the surgical campaign."

Alliance Energy's donation of \$179,000 – \$89,500 from the six individuals on the senior management team and a matching donation of \$89,500 from Alliance Energy – will



*Ear, nose, and throat surgeries will now be performed with greater accuracy thanks to Regina-based electrical company Alliance Energy.*

allow the Regina Qu'Appelle Health Region to purchase an ENT Navigation System that produces detailed 3D images of a patient's anatomy so surgeons can perform nose and skull-base surgeries with greater accuracy.

Over 26,000 surgeries were performed last year in Regina, and new surgical equipment was identified as an urgent priority to reduce surgical wait times while providing efficient and safe patient care. The ENT Navigation System is one of 37 pieces of equipment that are on the Regina Qu'Appelle Health Region's list.

"By acquiring new surgical technology and adding to our existing equipment inventory, Regina's hospitals will be able to reduce surgical delays that are presently caused by equipment shortages," says Dr. David McCutcheon, Vice President of Physician & Integrated Health Services, Regina Qu'Appelle Health Region. "Thanks to Alliance Energy, PotashCorp, and other generous companies and individuals from our community, our surgeons will be able to perform the right surgery, at the right time, which is exciting news for the people of southern Saskatchewan."



*Alliance Energy representatives with Dr. Mark O'Grady and the current surgical navigation system that will be replaced with leading-edge technology thanks to their donation.*

“We’re really proud of the support that our Regina senior management team expressed for this campaign,” continues McLellan. “We hope their actions will inspire employees and other businesses in our communities to do the same.”

The generosity of Alliance Energy and its employees is part of the company’s mission—a legacy of giving back to the community that spans a century of doing business in Saskatchewan. They are an active contributor to a variety of community initiatives and have received the Paragon Award for Community Involvement in 2014 as well as the ABEX Community Involvement award in 2013.

Alliance Energy ([alliance-energy.com](http://alliance-energy.com)) is 100 per cent Saskatchewan owned and operated, with its head office located in Regina and its branch in Saskatoon. Today Alliance Energy has over 900 employees working throughout Saskatchewan. The company provides professional electrical contracting services to the commercial, industrial and institutional sectors, including complex design, installation, upgrades, expansions, repair, maintenance and voice/data. Originally founded in 1913 as Sun Electric Ltd., Alliance Energy has maintained its industry leadership for more than a century through its commitment to innovation, quality, safety and reliability. ■

# THE FEDERAL P3 SCREEN



By Michael Atkinson, President, Canadian Construction Association

When it comes to determining when a project-delivery methodology like public-private-partnerships (P3s) is the most appropriate for a given project, there are quite a few scholarly articles and complicated matrices that have been proffered. One such approach is the P3 Suitability Assessment Questionnaire produced by PPP Canada Inc. to aid in the now mandatory P3 screening for projects with total eligible costs over \$100 million under the new federal Building Canada Plan (See <http://www.infrastructure.gc.ca/plan/nic-vin/bc-ar09-eng.html>).

As a first step in the new federal P3 screen, all project proponents (primarily provincial, territorial and municipal governments) have to complete this questionnaire as part of the initial review process. The completed questionnaire is then submitted by Infrastructure Canada to PPP Canada Inc. for review. PPP Canada publishes an accompanying "Guide for the Suitability Assessment". (See <http://www.p3canada.ca/en/about-p3s/p3-resource-library/the-guide-to-the-new-building-canada-fund-p3-screen---suitability-assessment/>.)

Should the suitability assessment conclude that a project demonstrates P3 potential, the project proponent will then be required to develop a Procurement Options Analysis (POA) to support the choice of delivery approach. It describes, examines and compares the traditional procurement delivery model, a P3 delivery model, and other alternatives for the delivery of infrastructure to determine which option offers best value for money. (See [www.p3canada.ca/en/screening-and-advisory-services/the-building-canada-fund/procurement-options-analysis](http://www.p3canada.ca/en/screening-and-advisory-services/the-building-canada-fund/procurement-options-analysis).)

The initial Suitability Assessment Questionnaire asks proponents to respond to 12 different questions using five different response indicators that rate each answer from 1 to 5, with 5 representing an answer that suggests the P3 model is most suitable and 1 the least suitable. Each question is given a weighted value out of 100. A score of 1 to 50 suggests that the P3 option should not be pursued. A score of 51 to 75 suggests that the project presents a mix of favourable and unfavourable indicators for P3 delivery and that further discussion with PPP Canada is

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necessary. A score of 76 to 100 means the project shows P3 delivery potential and requires the next step (i.e. the POA).

Here are the top 12 indicators in the questionnaire for self-determining when the P3 approach is the best delivery model for a given project:

1. (5.9%) Asset Life: What is the anticipated useful life (i.e. service life) of the asset? – The longer the asset life the more attractive for a P3 approach. Greater than 25 years rates a 5;
2. (11.8%) Asset Complexity: How complex is the asset both with respect to construction and O&M? – The more complex, the better the P3 option (i.e. a project that combines three or more asset classes or varying complexity, such as a building + road + outbuildings);
3. (5.9%) Availability of Outputs and Performance Specifications for the construction of the asset - Where output/performance specifications for the construction of similar types of asset(s) exist and are available, the approach suggests a P3;
4. (5.9%) Stability of Operational Requirements: Are the long-term operational requirements of the planned asset relatively stable and predictable? – Stable and predictable operational and maintenance requirements are ideal for the P3 model;
5. (5.9%) Availability of Performance Specifications and Indicators for the Operations and Maintenance Period - The availability of performance outputs and indicators for operation and maintenance of the asset favours the P3 approach;
6. (11.8%) Life-Cycle Costs – Can these be quantified upfront? The ability to predict/identify and quantify these costs are critical to a P3 approach;
7. (5.9%) Revenue Generation – The capability of the asset to generate a revenue stream can be very important in looking at the P3 option;
8. (11.8%) Private Sector Expertise – How many private sector firms have the capacity to deliver and maintain this type of asset and manage the inherent risks? More than five firms or teams ranks a 5;
9. (5.9%) Market Precedents – To what extent have investments of similar size and scope been delivered via the P3 method in Canada? The more the merrier for the P3 option;
10. (5.9%) Nature of Development Site – A project that is on a greenfield site that is new construction and not an expansion/renovation of an existing asset better lends itself to the P3 model;
11. (11.8%) Scope for Private Sector Innovation Gains – To what extent will the private sector be able to rely upon output/performance-based requirements/specifications. Prescriptive specifications do not lend themselves to innovation opportunities nor to the P3 model; and
12. (11.8%) Potential for Contract Integration – Which elements of the potential P3 (i.e. design, build, finance, maintain, operate) can be integrated into one contract? The more, the better for a P3 solution.

PPP Canada promises a one- to two-week turnaround on its review of a completed suitability assessment and will communicate the results to Infrastructure Canada.

It remains to be seen to what extent PPP Canada will question the results of this self-analysis. Also unknown at the time of this writing is whether the SA will be required where a proposed project has already been subjected to a similar provincial P3 screen. 🏠



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# HOW TO PROTECT YOURSELF WHEN 'PROCURING' FOREIGN WORKERS



By Anika Henderson, *Imagine Immigration & Consulting Services*

With much in the news about the Temporary Foreign Worker Program, it's no wonder that companies who have never before used the program would be fearful about accessing it - fearful of what the repercussions could be should they come under the spotlight, like many companies in the food service industry have recently.

Having worked personally with many employers who have used this program and found it beneficial to their business, I can honestly say there's a "right" way to do it, and as long as you follow all of the rules of the program as they are outlined and use the program for the purposes for which it was created, you should have no issues. Many of the examples seen in the media have had circumstances that would fit into two categories. The first are those employers who deliberately took advantage of the program for their own gain. The second are those employers who were genuinely attempting to use the program for all the right reasons but did not follow good business practices in doing so.

At the top of my list of advice for any employer looking to the TFW program would be to document every move that they make. As employers are obligated to offer a job to a

Canadian or permanent resident first before accessing the TFW program, they must ensure that they have exhausted all possibilities and that they've documented that process from start to finish so there can be no debate.

When dealing with a consultant or immigration lawyer who is working with you to access the program, make sure you detail to them every effort you have made to source Canadian workers and what the results of those efforts have been. Be upfront with your consultant about who has applied and what the reasons were for them to be considered ineligible. All certified consultants understand the rules, and they'll be able to advise you whether your reasons are valid or you need to try harder to source Canadian employees.

If you do have a Canadian apply for a job, but for whatever reasons he or she is not considered to be a suitable candidate, be sure to communicate clearly to that candidate why they aren't eligible for the position, and document all communications with them. This protects you in the event that the candidate feels he or she was eligible for a position that was later filled by a temporary foreign worker, as was the case with a number of high-profile media cases. Had

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there been clear and documented communications with the candidates, the media storm that ensued might have been avoided.

Beyond documenting your hiring process, I would highly advise Human Resource managers or company owners to be sure to involve themselves in the process of hiring foreign workers from start to finish. While your aim is to hire a consultant you can trust to ensure the job is done right, ultimately it is your business, and should something go amiss, the buck stops with you. I have heard many stories from employers who have hired a consultant but who otherwise have not been active in the process and therefore do not fully understand their responsibilities. Be sure to ask for clarification whenever you do not understand a step that is being taken or a decision that is being made; that way there will be no surprises down the road.

Finally, you must ask yourself honestly if you really have exhausted all possibilities when it comes to hiring permanent residents and Canadian employees. Intensive advertising across Canada and building strong relationships with colleges and trades organizations that can help you

find and potentially train eligible candidates can help ensure that you've done your due diligence. The purpose of the Temporary Foreign Worker Program is to be a last resort for employers with a genuine need. If there are Canadian employees able and willing to fill your positions, who have the skills necessary to do so, the onus is on you to hire them. Only those with a genuine need should be looking beyond Canada's borders.

The Temporary Foreign Worker Program can offer solutions that do not have to put your company at risk of a public relations debacle. It can and has been used successfully by companies that ensure the highest standards in recruiting and attracting Canadians and permanent residents. If, after rigorously advertising for a position that offers competitive wages, and after building relationships with colleges and trades organizations, you still cannot find the workers you need, the Temporary Foreign Worker Program may be the solution for your business. It can help you to procure the diverse and talented employees you need to build the workforce that can grow your company in today's competitive and increasingly global market. 🇨🇦

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# CANADIAN PUBLIC-PRIVATE PARTNERSHIPS P3S - THE ROMANTIC PHASE



By Murray R. Sawatzky, McDougall Gauley

“The very essence of romance is uncertainty.”

– Oscar Wilde

There has been tremendous growth in Canada over the past decade with a project delivery model called public-private partnership (P3s), with all levels of government starting to realize that there is a huge infrastructure deficit when it comes to updating and replacing roads, hospitals, schools, stadiums and water treatment plants.

Some sources have estimated the public infrastructure deficit to be in the area of 200 to 400 billion dollars over the next decade. P3s attempt to allow public bodies access to both private expertise and private capital in order to address this deficit. In fact, governments are now encouraging the use of P3s through their fiscal policies.

I think that we can safely assume that P3s will be with us for many years to come. This article will focus on some of the benefits of the P3 approach.

The first and probably most significant benefit to tax payers is the potential cost savings. By allowing a private contractor the ability to both design and construct a project, that contractor is forced to deal with any issues relating to errors or omissions in the design as an internal matter, similar to the design-build model where the owner contracts with a single company to design and build a project.

There are also potential economies of scale. Private partners, likely of national or international size, can

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bring their experience and expertise to the project – hopefully in a more efficient and cost-effective manner – rather than retaining local small and mid-sized companies who may lack the expertise and experience.

There is certainly more of a focus on the public authority providing a “business case” for the project when using the P3 model. In other words, the public owner must consider the financing costs and maintenance for the whole term of the asset to be built. This is likely something that was not done in detail in the past and forces the public owner to assess the entire life-cycle cost of the project.

Another potential benefit is that public owners appear to focus on requesting procurement by specific reference to performance specifications instead of relying on the more traditional specifications developed over the course of time. Compensation paid for actual performance may allow for greater innovation in the design and delivery of the project. It also allows the private partners to take on the risk of the long-term performance of the project as well as the costs of required maintenance and repair. P3s should allow financing opportunities for the private sector which may not have been available in the past. Hopefully this leads to competition, which should lower financing costs and perhaps provide financing on a wider variety of projects.

In a perfect world, P3s should allow for the completion and operation of public infrastructure with greater certainty and efficiency than if the public sector attempts to manage all aspects of these projects. The private sector also has an opportunity to make a profit if it properly manages and executes the project with its expertise.

From a legal perspective, the risk allocation for the project attempts to provide public owners with a certain level of cost certainty, with the private sector providing financial assurance that it can continue to operate and maintain the project for the service life of that project.

The upfront costs of negotiation, due diligence, risk assessment on construction, project design and feasibility, as well as risk assessment for the lifetime of the project, are tremendously significant. It forces everyone to address virtually all aspects of the project upfront with some element of risk assessment for future changes to legislation, environmental hazards, taxes, changes in government policy, permitting and interest rate changes.

It will be interesting to see whether the P3 model will lead to fewer disputes in light of the long time frames of the partnerships on most projects. The romance of P3s is with us. Only time will tell if the love affair can be sustained. ■

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# THE IMPORTANCE OF CREATING A MARKETING PLAN FOR YOUR BUSINESS



By Lindsay Bryson, Account Executive, Look Matters

Without customers, your business would not survive. In order to attract and retain these customers, all businesses need to understand the importance of marketing and the value it provides.

Regardless of the size of your business or the industry you are in, building a marketing plan should be an integral part of the way you go about business. Many small businesses do not place enough emphasis on marketing. They often see it as something that takes up a lot of unnecessary time and budget. However, marketing is more than just advertising and sales.

A strong marketing and communications plan will outline the decisions you need to make in determining the future success of your company. It helps you develop the products and services you offer to meet the needs of your target market. It should always support your business plan and help you make calculated and effective decisions regarding your business. Any company without strategic direction will have a hard time growing and remaining profitable.

A good marketing plan integrates long-term planning and short-term implementation. It will help you better understand your competitors, audience and industry, and will have a positive impact on your business. It helps your staff understand that their captain knows how to run the ship and allows your employees to feel like part of a team that is engaged in an exciting venture.

## Key Considerations When Writing Your Marketing Plan:

**Overview:** The overview is your executive summary section. It should outline the overall approach to your marketing strategy.

**Audience/Target Market:** Who are your customers? Consider what age, gender, purchasing behaviour, or activities you want to target. Who are your competitors targeting? What income and education levels, occupations, etc.?

**Goals/Objectives:** What are you hoping to achieve through your marketing efforts? What do you want your customers to do? It is important to keep in mind that your goals should always be SMART: specific, measurable, achievable, relevant and timely (i.e. increase sales of product X by five per cent in 2014).

**Industry Information (SWOT Analysis):** Take a look at the strengths, weaknesses, opportunities and threats within your industry. What is your competitive advantage, and how can you capitalize on it through your marketing efforts?

**Key Messaging:** Based on your identified target audience(s), what do you want to say to them? This is really important, as it helps to strengthen your brand and identify your voice.

**Tactics:** Plot out all activities you plan on undertaking, assign budget(s), timing and responsibility. This part of the plan should be flexible, and additions and deletions can be made as new information arises.

**Key Considerations:** Note any crucial information that pertains to the success of the plan. Is your business seasonal or are there any big events coming up that you should be aware of?

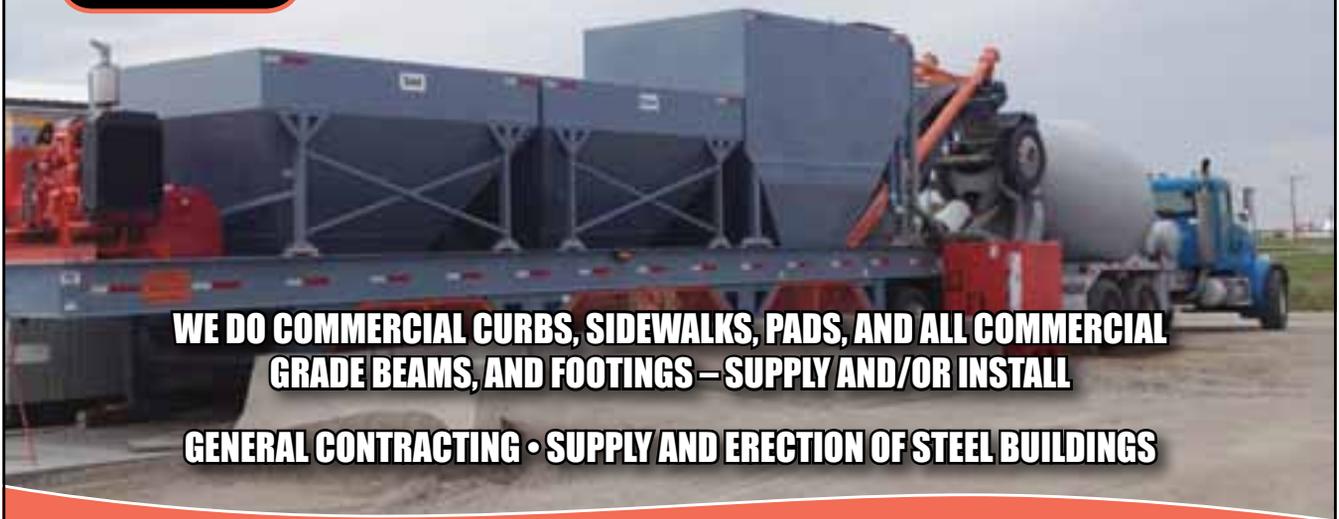
**Success Measurement:** Once you have defined your goals, it is important to understand how you are going to measure them. What does success look like to you? How will you know you have reached it?

In order for your marketing plan to be effective, it is important that it's evaluated on a regular basis. Your marketing plan should act as a tool to help you evaluate new opportunities, strengthen your brand, boost your customer base and increase your revenue. If you are hesitant to create a marketing plan yourself, there are lots of online template examples or companies that you can hire to help you take the next step. 📱



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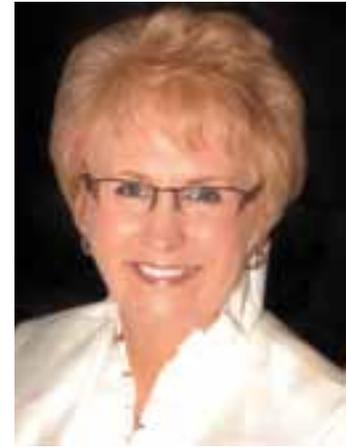
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# TAKE THE PAIN OUT OF HIRING THE RIGHT PROCUREMENT COORDINATOR



By Sherry Knight, President and CEO, Dimension 11 Ltd.

You've hired them before and it hasn't worked out. It's not unusual, really! Grant wanted to hire a supply chain manager for his manufacturing firm. He prepared the job description and used that to create an ad which he placed online. He reviewed résumés, conducted interviews, checked references and offered Sam a position. All was well.

Well, not exactly – like many new hires, Sam lost his job within the first three months. It's unfortunate and it's costly. In fact, this cost Grant's company about \$150,000. That's a lot of money lost, and now Grant has to start all over again.

Attracting the right people is not an easy feat. Grant realized he needed to adjust his approach to hiring. In examining his processes, he knew most of what was occurring was the best approach. What he also realized was that there were so many different approaches to actual procurement that he had not explored his candidate experiences deeply enough.

This brought forward a new approach to interviewing.

## Questioning

Grant realized his questions needed to go deeper, so he devised a few questions to add to his repertoire:

- What was the greatest challenge you experienced in your last job?
- What did you learn from this experience?
- What inventory trends have you seen in the organization?
- What's the number one benefit of a safety program?
- What will you do when you cannot find a product at our regular supplier?
- How do you develop relationships with suppliers?
- How do your co-workers describe you? Your boss?

## References

In exploring a prospective candidate, reference checks are critical. Many people overlook this aspect of hiring, yet it can be so important. The interesting element here is getting to the culture – a person who is successful in one organization may be totally unacceptable in another



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organization. Consider the following questions of a reference to better understand how your new hire will complement your organization:

- How does this candidate communicate with co-workers?
- What does this candidate do when confronted with equipment breakdowns?
- What will this candidate do to “fit in” with the rest of the team?
- What made this candidate a success in your organization?
- How did this candidate provide feedback to a vendor who is not compliant?

### Experience

Before hiring someone it is always a good idea to “see” the quality of their work. Grant realized he could get a better understanding of the candidate’s abilities by having them conduct a few tasks to see how they do things. For instance, he would now take a candidate to the procurement department and have him/her perform some of the duties to be completed:

- Ask the candidate to find a vendor in your system.
- Ask the candidate if he could suggest a better way to restock inventory.
- Ask the candidate to process a request.
- Ask the candidate to reconcile a project costing situation.

Hiring is critical in every organization. When it is done well, it saves frustration and money.

The number one need for a new employee is “cultural fit”. If this new employee will fit in with everyone else, then it will be a positive hire. If the candidate does not fit the culture of the organization, he or she will never be successful and Grant will be looking again for a candidate.

Recently we interviewed an individual for a client who wanted to have someone who was a self-starter, someone who did not need to be guided with too much help. During the interview, we noticed the candidate carefully read a paper for a task which we asked him to do. When he completed his reading, he turned to the interviewer and asked, “What is it you want me to do? Who is going to tell me what is needed?” Right away we knew he would not fit into the culture of the organization.

Asking the above questions and seeing what the candidate can do and how he or she interacts with the other people on the job is the best way to ensure a good fit. It takes extra effort to go to this length to ensure a good fit. However, in the long run, it makes a difference.

You want to be able to sleep at night knowing you have made the right hire. Grant does. Can you?

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*Sherry Knight, President & CEO of Dimension 11 Ltd., is a leader in recruitment and performance development. Dimension 11 helps companies realize stronger profits so they can create more jobs and better communities.*

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# PROCURING THE BEST



*By Jeff Ritter, CEO, Apprenticeship and Trade Certification Commission*

When hiring apprentices, you want to hire the best for your company.

To hire the brightest, you have to shine as a company and become an employer of choice. There are many different components to building a business, but one is to procure projects that add to the value of your company.

The purchasing side of the construction industry includes ensuring the tools, supplies, and all of the physical resources necessary to carry out the job are on hand; it also means having the people in place to complete the job. Having a strong commitment to apprenticeship is a real, tangible, and constructive way to demonstrate your resourcing capacity in a tender document. It's a commitment to building your workforce to ensure you have the manpower to complete the job, particularly one with a longer timeline.

More projects, in fact, are requesting information on a commitment to apprenticeship training. The federal government is changing its approach to procurement by introducing measures to support the use of apprentices in federal construction and maintenance contracts. Those bidding on government construction and maintenance contracts sign a voluntary certification expressing their commitment to hire and train apprentices, and provide information on the number of apprentices they plan on using on the contract. This information will help inform future additional changes to encourage the use of apprentices.

The Government of Canada is also ensuring that funds transferred to provinces and territories through the Investment in Affordable Housing support the use

of apprentices. The new Building Canada plan is also encouraging provinces, territories, and municipalities to support the use of apprentices in any infrastructure projects which receive federal funding.

It is especially important to see Saskatchewan companies bidding on and winning Saskatchewan contracts. The employees working for these companies include Saskatchewan apprentices who will stay, build their careers, and help grow our province.

How do you show your support to apprentices? Hiring and training is, of course, the most important aspect in doing so. There are other ways to show your support, including providing employment opportunities for new apprentices participating in employment linking programs, such as Skills Link, programs at the Regina and Saskatoon Trades and Skills Centres, the Regina and District Industry Education Council, the Saskatoon Industry Education Council, and SIIT Careers in Construction.

Supplies that allow your company to function are also tied to apprenticeship. Many products are manufactured by journeypersons and their apprentices – including welders, machinists, electricians, and sheet metal workers. Transportation of product is made possible by heavy duty equipment mechanics and truck and transport mechanics. The supply side really allows construction to function.

A career that begins with apprenticeship can lead to work within supply or purchasing. For many journeypersons, the next step is to conduct the purchasing and the movement of materials for their companies.

It's a never-ending circle within the construction industry – be the best to hire the best, who will continue to take your company to the next level and provide additional incentives for your bid to be successful. Procuring properly leads to a successfully completed project, and hopefully more to come in the future. Apprenticeship can help make this happen.

How do you make sure you're hiring the best when choosing between applications from prospective apprentices all expressing a desire to work in the trade, for your company, and become a journeyman? Who really is dedicated, motivated, and hard working?

One place to start is to consider background experience. Even if an applicant is fresh out of high school, he or she may bring a great deal of knowledge. With the Saskatchewan Youth Apprenticeship (SYA) program, Apprenticeship A30 and B30 credits, and Work Experience options, they may even have built up a fair number of hours of work in the trade. If they have completed the SYA program, they have not only shown initiative and drive to completion, but they also do

not have to pay a registration fee to the Saskatchewan Apprenticeship and Trade Certification Commission (SATCC), and their tuition for the first level of technical training is waived.

If an applicant has received an SYA Industry Scholarship, this demonstrates even further that they have previously gone above and beyond in their efforts within the skilled trades.

I would encourage you to also consider what other achievements or accomplishments an applicant may have. Have they demonstrated drive, determination, and success? Do they have the valuable attributes that can't be learned but can certainly be added to?

Procurement can have more than one meaning. Yes, it is acquiring the supplies and materials necessary to complete a job, but it's also about procuring the human resources for your company – which are not all made out of the same mold. Apprenticeship is the place to start, to grow your own, from the first day on. 🏠



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# STATE OF THE SASKATCHEWAN CONSTRUCTION INDUSTRY

By Doug Elliott, Publisher, Sask Trends Monitor

This is the first in what will be a regular series of articles for *We Build*. In this issue, and in the coming ones, we will summarize the most recent statistics about the Saskatchewan construction industry .

## Employment

Construction employment on a national level is down 0.4 per cent so far this year. Employment is falling in most provinces, including a 5.3 per cent decline in B.C. and a 14.9 per cent decline in Manitoba. Alberta showed a 6.4 per cent increase in early 2014 compared with a modest 2.1 per cent increase in 2013. This increase will put additional pressure on the Saskatchewan labour market as employees move there for work.

In Saskatchewan – counting both the residential and non-residential construction sectors – employment is up four per cent in the first four months of 2014, compared with the same period in 2013 (see Figure 1).

## In a nutshell...

After double-digit growth rates in the past few years, most indicators are showing a levelling off in late 2013 that has continued into the first few months of 2014.

- Employment in construction is up four per cent in early 2014 compared with an eight per cent increase in 2013.
- The value of non-residential building permits is down 26 per cent in the first quarter of 2014 compared with an increase of four per cent in 2013.
- Construction wage rates are up 6.7 per cent in the first four months of 2014 compared with a 0.3 per cent drop in 2013.

Barring a collapse in commodity prices, the upward trajectory will resume later this year.

The majority (59 per cent in 2013) of construction workers live in Saskatoon or Regina or their surrounding satellite communities. Figure 3 shows mixed results for employment within the province (measured according to where you

Figure 1: Saskatchewan Residents Reporting Construction as their Main Job, by Month, Jul 2012 to Apr 2014

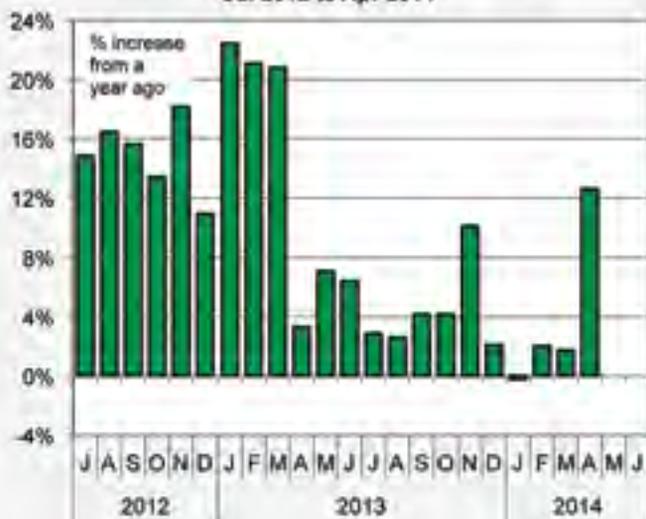


Figure 2: Annual Change in Construction Employment, Prairie Provinces

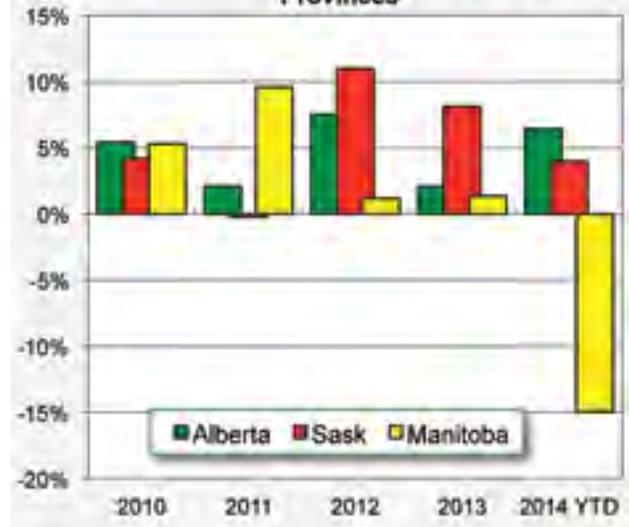
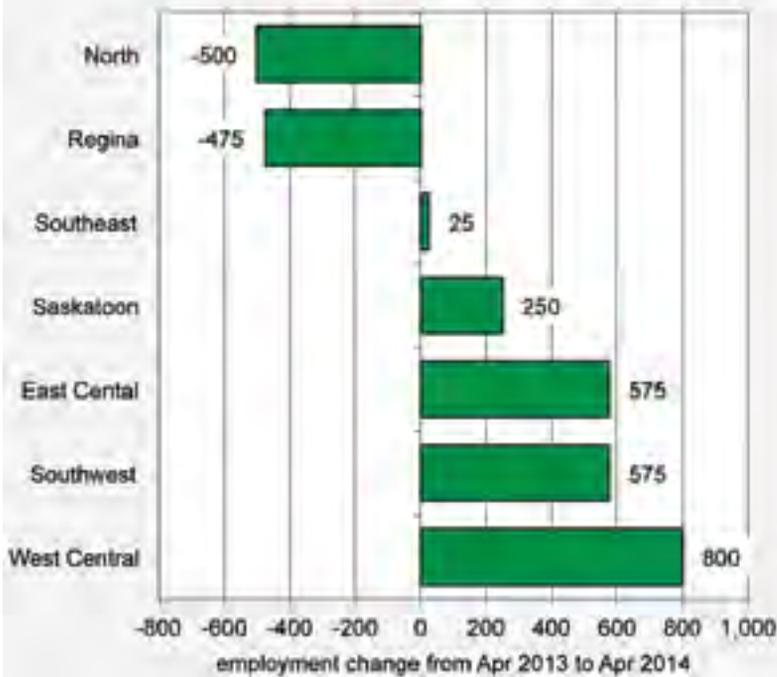


Figure 3: Employment Growth in Construction, by Region, 2014 YTD



live not where you work). There are employment increases in the southwest and in central parts of the province. Offsetting these increases is a drop in employment among residents of the Regina metropolitan area and in northern Saskatchewan.

If the employment trends continue, average employment in construction will reach a milestone average of 50,000 monthly employees in 2014. This average puts the construction industry higher than agriculture (43,000), manufacturing (28,000), and education services (45,000).

### Wage Rates and Earnings

Counting both the residential and non-residential sector, the average hourly wage rate in the construction industry was up 6.7 per cent in the first four months of 2014 compared with the same period in 2013. With the increase, the average hourly wage rate in the construction industry was \$27.25 in early 2014, eight per cent above the provincial average.

The 6.7 per cent increase in Saskatchewan wage rates is much higher than in other provinces where the year-to-date increase was:

- 0.7 per cent in B.C.;
- 1.8 per cent in Alberta;
- 2.5 per cent in Manitoba; and
- 2.8 per cent in Canada as a whole.

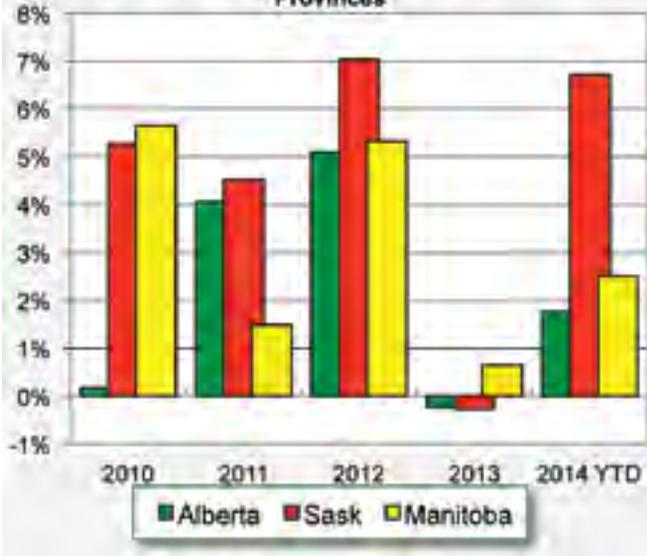
The increase is also much higher than the 2.6 per cent rate of consumer price inflation.

The sharp increase in average hourly wage rates is having the expected effect on weekly earnings in the non-residential sector. Average gross earnings before taxes in the first quarter of 2014 were up two per cent to \$1,250, with an increase of 5.6 per cent among salaried employees,

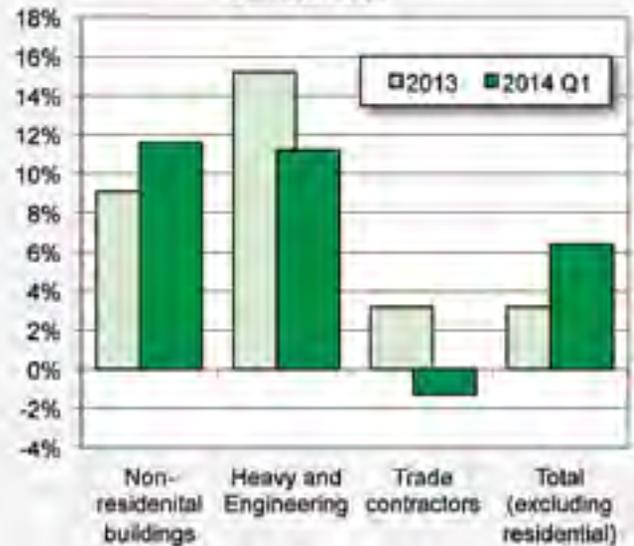
Figure 4: Average Hourly Wage Rates, Paid Workers in Construction, Saskatchewan



**Figure 5: Annual Change in Average Hourly Wage Rates, Construction Industry, Prairie Provinces**



**Figure 6: Change in Average Weekly Earnings Including Overtime, Hourly Paid Workers in Saskatchewan**



and an increase of 0.4 per cent among hourly paid employees if overtime and other premium pay is included.

Figure 6 shows that higher earnings are concentrated in non-residential building contractors and in the heavy and engineering construction firms. Average weekly earnings are down slightly among speciality contractors.

**Building Permits**

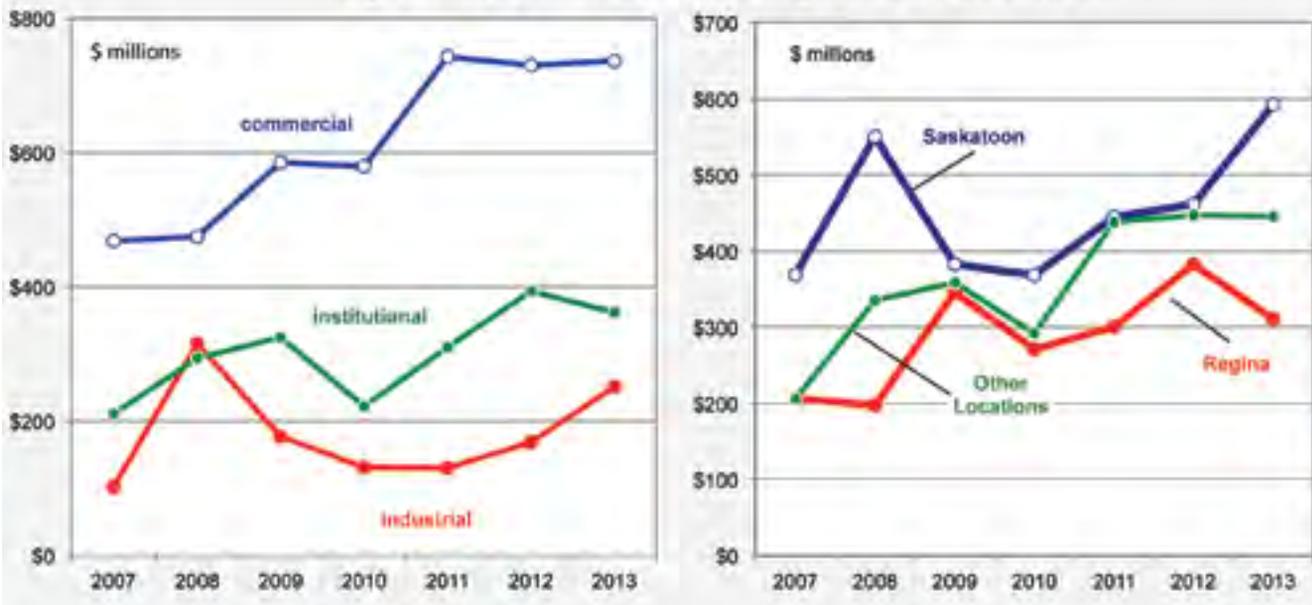
The value of building permits issued by local governments is a good leading indicator for short-term activity in the non-

residential building construction sector.

Figure 7 shows that the value of non-residential permits is highest in the commercial sector, which accounted for 55 per cent of permits in 2013 and is the fastest growing of the three categories. The value of permits is highest in Saskatoon, but the fastest growth rate over the five years from 2008 to 2013 has been in Regina.

After three years of substantial increases, the value of non-residential permits is down 26 per cent in the first quarter

**Figure 7: Value of Non-Residential Building Permits in Saskatchewan**



of 2014 (see Figure 8). The drop is concentrated in the industrial and institutional sectors – permits for commercial work have increased. Regionally, the drop is concentrated in Saskatoon.

Figure 8 also shows that the same decline is occurring in the other western provinces with a drop of 22 per cent in Alberta and a drop of three per cent in Manitoba. Adverse weather will have had a dampening effect on permits issued this winter.

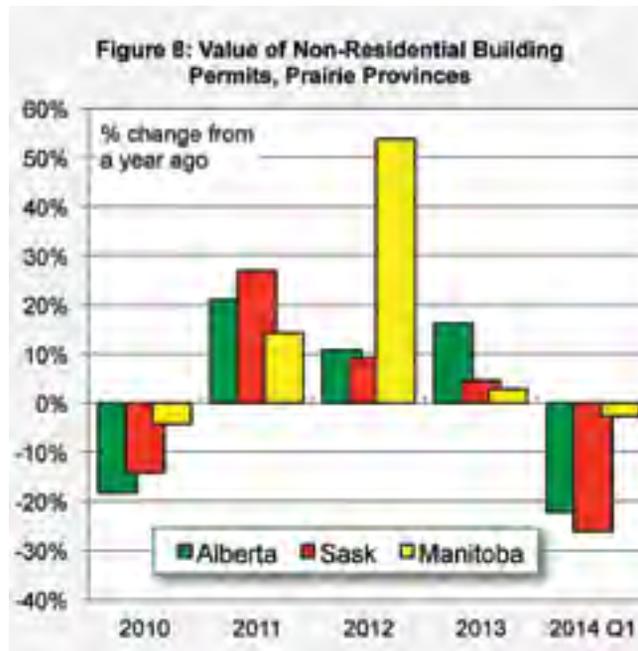
### Summary and Outlook

The construction industry in general, particularly non-residential construction, have registered increases in the past four or five years. For example, from 2008 to 2013 construction employment grew by an average of 5.9 per cent per year, the value of non-residential permits increased by 4.5 per cent per year, and the average hourly wage rate for paid workers grew by 4.8 per cent per year.

These indicators have been leveling off in late 2013 and early 2014.

- Construction employment is up four per cent in the first four months, compared with the same period in 2013.
- The value of non-residential building permits is down 26 per cent in the first quarter of 2014.
- Construction wage rates are up seven per cent in the first four months of 2014.

Most firms appreciate lower growth rates so they can catch their breath, and it appears the trend will be short-lived.



There are a number of large projects on the horizon so the upward trajectory is expected to resume later this year and, barring a major decline in commodity prices, into the medium term.

Source: Sask Trends Monitor from the Statistics Canada data.

All of the underlying data used in this report are from a “data warehouse” maintained by the Saskatchewan Construction Association. Some of the statistics, with employment being the best example, refer to the entire construction industry whereas others refer specifically to the non-residential sector. 🏠

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# REDHEAD EQUIPMENT CELEBRATES GRAND OPENING OF NEW REGINA FACILITY

By Lisa Fattori, Staff Writer, DEL Communications Inc.



On June 4th, Redhead Equipment celebrated the grand opening of its new corporate headquarters and Regina facility, located five kilometers east of the city on the south side of Highway 1 East. Festivities kicked off at 12 noon and included a ribbon cutting ceremony, barbeque lunch, equipment demonstrations, and giveaways. The Honourable Don McMorris, Saskatchewan's Minister of Highways and Infrastructure, as well as Reeve Mitchell Huber from the RM of Edenwold, spoke at the event.

"Great facility," said Minister McMorris. "It really is reflective of what's going on in the province; people are investing and wanting this province to grow, and continue to grow."

A highlight of the afternoon was an air ambulance landing by Shock Trauma Air Rescue Society (STARS) and the presentation of a \$1 million donation to the organization by company president and CEO Gary Redhead. "We had a great day, with about 1,500 people attending the grand opening," says Kyle Senger, Redhead Equipment's Director of Marketing. "This event allowed us to give something back to our customers and the community who have supported us over the years and provide them a behind the scenes look at all this tremendous facility can offer."

Established in 1948, Redhead Equipment is a leading heavy equipment dealership that offers the sales and service of trucks and trailers, construction, agricultural

and forestry equipment. The company has five locations across the province – in Regina, Saskatoon, Swift Current, Estevan and Lloydminster – and employs a staff of over 425 people. Redhead Equipment's extensive product lines, large inventory of quality parts and 24/7 service by factory-trained technicians provide customers with the convenience of a one-stop solution for all of their heavy equipment needs.

The new Regina facility is situated on 43 acres and consolidates the truck/trailer and construction divisions into one convenient location. The 117,000-square-foot building offers a front reception area, a showroom for parts, and a parts and service counter and warehouse for each division. The second level accommodates corporate offices, meeting rooms and a customer lounge, complete with TV and WiFi services. There are also 27 service bays for each divisional shop, featuring state of the art equipment, including a 10-ton crane, energy-efficient T5 lighting system and quick lube pits.

"Customers love the extra space and all of the on-site conveniences," says Craig Slobodian, Redhead's Corporate Construction Sales Manager. "The location is geared to making things easier for our customers. Before, they had to travel into the city, where each division had its own location. Now it's all under one roof, and the Highway 1 East location provides quick and easy access for customers coming from all around Regina."

Redhead Equipment's construction division provides customers with over 10 brands of equipment, including excavators, wheel loaders and articulated haulers. The company is the exclusive Saskatchewan dealer for CASE and Volvo construction equipment and is also the exclusive Mack Truck dealer in the province. Parts and service departments are open six days a week, and emergency 24/7 parts and service is available at all five locations. The company has the most service trucks of any heavy equipment dealer in the province and offers convenient pick-up and delivery service to transport customers' equipment to its shops.

Redhead Equipment is equally diligent about helping customers to finance their equipment and provides on-site



business managers who will tailor a financing program to suit individuals' budgets. The company's wide array of financing options includes leasing; rent-to-own; CNH Capital Commercial Revolving Account; retail loans with competitive interest rates and flexible payment options; and Redhead Equipment's Parts or Service Account, which enables customers to charge the purchase of parts or service work to their accounts. Customers can also protect themselves against the unexpected with Redhead Equipment's group creditor insurance.

"There are many options available and different promotions throughout the year, such as 0% for 90 days," Slobodian says. "The rental purchase option is a good choice for a medium-sized company that lands a big job. It eases the pressure on cash flow and enables a contractor to grow his business."

Saskatchewan's strong performance in agriculture, oil and gas, and the potash industry has contributed to the current construction boom and the demand for more housing, commercial and industrial complexes, new roads and upgrades to infrastructure. According to Slobodian, Redhead equipment's sales in construction equipment have doubled in the last five years and show no signs of letting up.

"The compact market is really growing, with 1,000 new units sold in the province every year," he says. "With bigger jobs and more to do, the equipment is also getting bigger. It's still a challenge to find good workers, and with a shallow labour market, companies are forced to do more, with the same resources. But we're excited for what lies ahead in this industry and to play a part in its success."

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