

May 25, 2019

Hon. John Horgan
Premier of British Columbia
Office of the Premier
PO Box 9041 Stn Prov Govt
Victoria, B.C. V8W 9E1
Delivered by email: premier@gov.bc.ca

Dear Premier Horgan,

Re: Budgeting process for the Highway No. 1 at Illecillewaet project and other key infrastructure projects in B.C.

The Vancouver Regional Construction Association (VRCA) is the largest regional construction association in British Columbia with a rich history that spans 90 years. It serves more than 700 general and trade contractors, manufacturers, suppliers and professional service providers such as architects, engineers, lawyers, accountants and insurance providers who operate as both union and open-shop employers in the industrial, commercial, institutional and high-rise residential construction industry.

We write today regarding the project budget for the widening of Highway No. 1 at Illecillewaet, the first construction contract awarded under the project labour framework embedded within your government's Community Benefits Agreement (CBA).

While the project is not located in our region, it is the bellwether for future CBA projects, two of which – the Pattullo Bridge Replacement Project and Broadway Subway Line – will roll out in the Lower Mainland. We are therefore watching its progress closely.

Like many in B.C., we are pleased to see the much-needed transportation infrastructure project move forward. However, while we believe the construction industry delivered a good indication of what it will cost to build this project in today's market, we were shocked to learn that the overall project budget has more than doubled (some 143% from \$35 million to \$85.2 million) since August 2015, and escalated by 35 per cent (from \$62.9 million to \$85.2 million) in the three months since the contract was tendered in February 2019.

Despite the increases, the federal government's contribution remains at \$15.5 million, leaving B.C. taxpayers to fund the difference of \$69.7 million.

We acknowledge your government's recent commentary regarding the project's cost escalation and concur that the cost of materials, including steel and asphalt, has increased in the last 12 months. We also note that you confirmed some months ago that the application of your government's CBA will add four to seven percent to project costs.

However, the cost of steel, asphalt and labour, including the costs associated with the application of the CBA to this project, was known in February 2019. While it appears that those costs were not included in

the project budget at that time and may be contributing to the cost escalation, there remains absent a full and convincing explanation from your government for the dramatic cost increase since August 2015 and February 2019.

In every sector, whether public, private or not-for-profit, the importance of anticipating the impact of our decisions on taxpayers, our customers or dues-paying members cannot be over-stated.

And so, in the context of public infrastructure spending, we are concerned that if your government's budgets for the two projects in our region lag behind current costs to construct to the scale witnessed on the Highway No. 1 at Illecillewaet project, the resulting \$billions difference would significantly draw down government coffers, and leave you and your ministers with the following options:

- build fewer projects;
- reduce the size and scope of the projects;
- increase taxes to pay for the projects;
- incur debt to build the projects; or
- any combination of the above.

Regardless of the option(s) chosen, it would be B.C.'s taxpayers who bear the brunt, by either not getting the projects they need, seeing their tax bill increase, or both.

We are therefore seeking clarity on a number of fronts. To better understand the extent to which your government's CBA has contributed to the Highway No. 1 project budget escalation, the reasons for the overall escalation and to ensure such a situation, and its impact on taxpayers, is avoided in future, we ask your government to:

1. Confirm the extent of funds allocated on the Highway No. 1 project:
 - for payments to unions for various funds;
 - for union and/or Allied Infrastructure and Related Construction Council of BC administration, including operating the hiring halls; and
 - to have BC Infrastructure Benefits Inc. operate as the employer.
2. Provide specific details of the reasons for the 143% project budget increase since 2015, and the 35% budget increase since February 2019.
3. Review and update the budgets for key infrastructure projects so that the numbers reflect the rising cost of doing business in British Columbia.

Thank you for addressing our three requests in a timely manner. If you would like to discuss the above further, please contact me directly at fiona@vrca.ca or at 604.293.6585.

Regards,



Fiona Famulak,
President



Jason Glue
Chair, 2019-20 Board of Directors

cc:

Hon. Carole James, Minister of Finance and Deputy Premier (FIN.Minister@gov.bc.ca)

Hon. Claire Trevena, Minister of Transportation and Infrastructure (Minister.Transportation@gov.bc.ca)