

CONSTRUCTION MONITOR

The BC CONSTRUCTION MONITOR is an ICBA publication providing ahead-of-the-curve information and statistics on the BC construction industry.

The Monitor draws on analysis and outlooks from various sources, and provides current and substantive insight. This quarterly publication is intended for industry executives, government decision makers, journalists and other opinion leaders.

We welcome your feedback and future story suggestions at info@icba.bc.ca.

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Regulatory Reform: Focusing on How and Who



Philip Hochstein

It's pretty much become accepted wisdom that less regulation is good for the economy and living standards, and governments of varying stripes at least pay lip service to the concept. Some have gone from words to action and made measurable progress in reducing regulatory costs and constraints.

BC's provincial government is to be commended for a significant reduction in the overall number of regulations that business must deal with. Despite that, the overall regulatory burden has been increasing for a long time – long enough to have created tens of billions in annual costs for Canadian businesses – and it

will take sustained effort to chip it away.

Consider this: when regulatory costs are factored in as a percentage of GDP, only PEI, New Brunswick and Quebec score worse than BC. And the construction sector – despite the central role it is playing in BC's economic recovery – remains subject to some particularly onerous regulatory requirements.

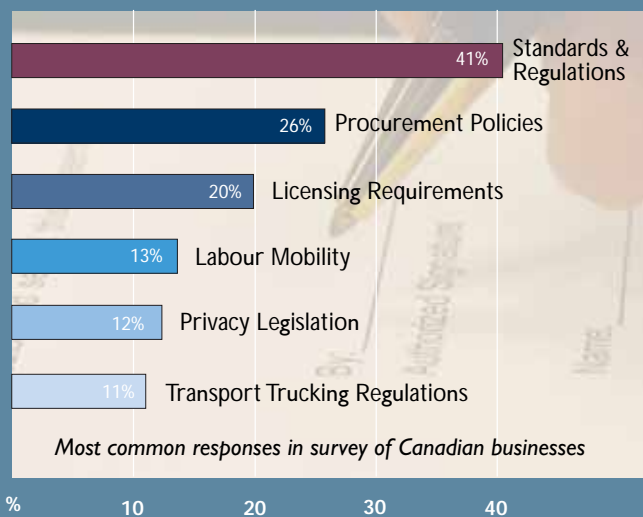
Consider too some troubling indications of resumed regulatory creep in BC. Have you heard of the Business Practices and Consumer Protection Authority of BC? You're probably among the majority of British Columbians if you haven't. Yet this relatively recent creation of the provincial government has a wide ranging mandate to create new regulation, and is actively looking for industries into which to extend its

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Canada's Biggest Business Barrier

Improving productivity and competitiveness is now a top-ranked public-policy objective and reduced regulation is the key to achieving it. Recent surveys suggest that the most common impacts of regulatory barriers are loss of business and increased administrative costs; and that reducing the regulatory burden will translate into more competitive businesses, and into broadly shared benefits such as increased wages and charitable donations.

BARRIERS TO COMPETITION IN CANADA



Source: Conference Board of Canada

Regulatory Reform

Continued from p. 1

reach. One of its current and rather dubious focal points is regulation of the cosmetology industry.

All this suggests that we need to be more diligent and strategic in our approach to regulatory reduction and reform. Let's start by thinking of it in terms of what we regulate, how we regulate and who does the regulating.

The regulatory burden is the sum total of requirements imposed by a complex network of authorities ranging from professional and other private bodies, through to all levels of government. The result is often inefficiency and unnecessary barriers, if not outright duplication or even inconsistency.

A gas fitter pursuing his trade in BC, for example, is provincially credentialed and licensed. But he has to take out a separate business license for every municipality in which he will work. He must also obtain a municipal permit for every individual job he takes on, and have his work signed off by a raft of different municipal inspectors.

Focusing only on the "what" – in this case, any one of a number of applicable regulations – will do little to reduce or rationalize the gas fitter's paperwork. The focus should instead be on the "how".

Why not identify the single level of government that is best positioned to implement the necessary regulations, and ensure that the valid policy objectives associated with them are met? For gas fitters, this regulation would most logically be at the regional level, if not higher, since municipal boundaries are meaningless to a tradesperson's business.

Any why not contemplate whether there are non-regulatory mechanisms that could deliver the same or even better outcomes? Bonding, for example, is a process of independent

assurance of a developer's financial capacities to complete a project. It's an example of a private and highly efficient mechanism which meets objectives that would otherwise be prime candidates for regulation.

This also suggests that "who" is another important question, and it's certainly one that hasn't yet received much attention. The essential question is this: does it always need to be public servants who are called on to actually implement regulations?

Private-sector professionals, such as engineers and architects, are already authorized to sign-off on specific inspection and permitting functions in the context of some municipal regulatory processes.

If anything, such mechanisms improve the caliber of the expertise that's deployed, and the extent to which safety and other objectives are advanced. These mechanisms also reduce costs, burdens on municipal staff resources, and potential liability concerns for local governments.

Moreover, this approach delivers significant dividends in terms of regulatory streamlining and reduced costs for busi-

nesses. Most notably, developers and contractors are able to count on more responsive and timely performance of important regulatory functions, with more consistent interpretations and less likelihood of project delays.

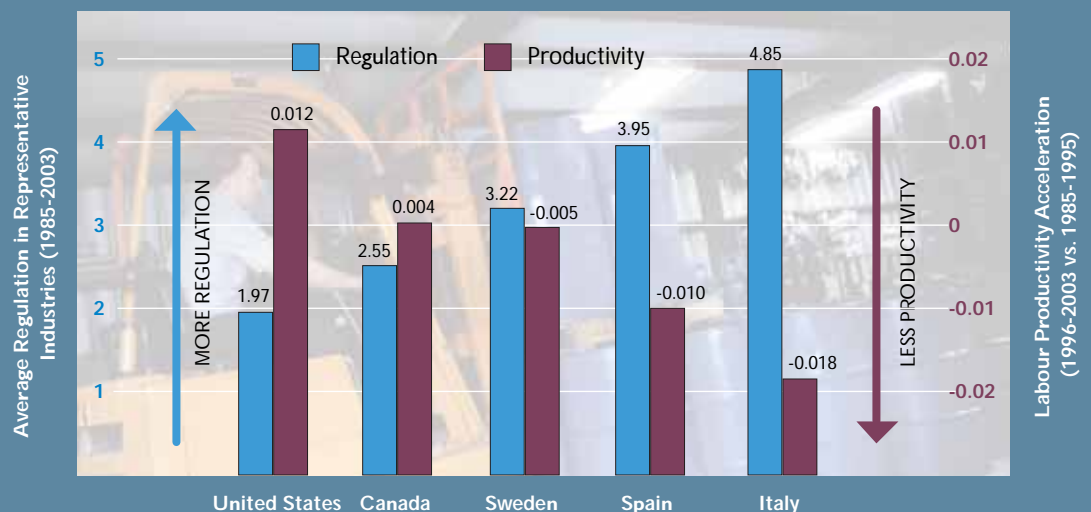
There's no reason that this model can't be applied more broadly, to the shared benefit of the public and the construction industry. ICBA will be making this case to government in the weeks ahead. After all, another vital question relating to continued regulatory reform is "when?". And we want to make sure the answer is "now".



More Regulation = Less Productivity

The heavier the regulatory burden, the less productive and competitive an economy is likely to be. As this graph demonstrates, less regulated economies such as the United States are much more productive than heavily regulated nations such as Italy and Spain.

REGULATION AND PRODUCTIVITY: INTERNATIONAL COMPARISONS



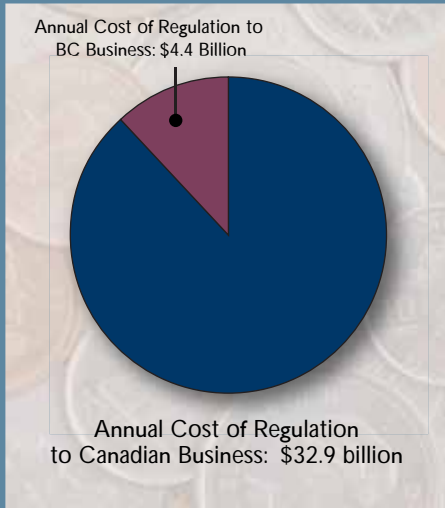
Source: Organization for Economic Cooperation and Development

Knocking Billions off the Bottom Line

The Canadian Federation of Independent Business estimates it costs Canadian businesses \$32.9 billion each year to comply with regulations, with smaller companies (four or fewer employees) paying nearly five times as much as larger companies in terms of per-employee regulatory costs. BC, meanwhile, remains a relatively heavily regulated jurisdiction.

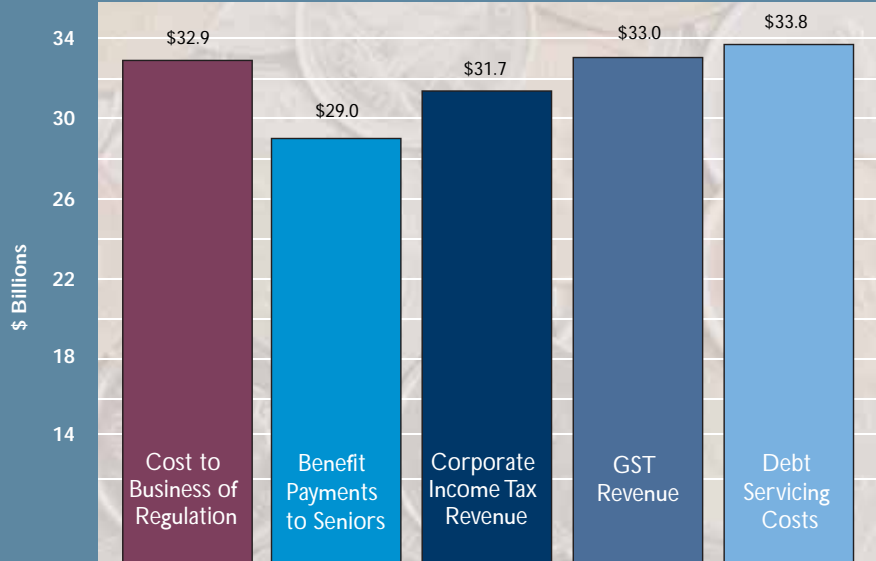


ANNUAL REGULATORY COSTS IN CANADA



Source: Canadian Federation of Independent Business

\$32.9 BILLION IN PERSPECTIVE

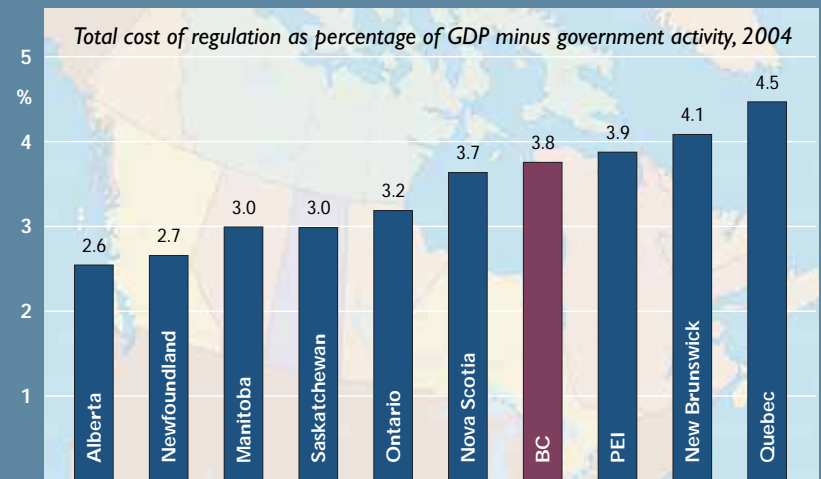


Source: Federal Finance Department, all comparative figures are for 2005/06



“BC, meanwhile, remains a relatively heavily regulated jurisdiction.”

THE REGULATORY BURDEN BY PROVINCE

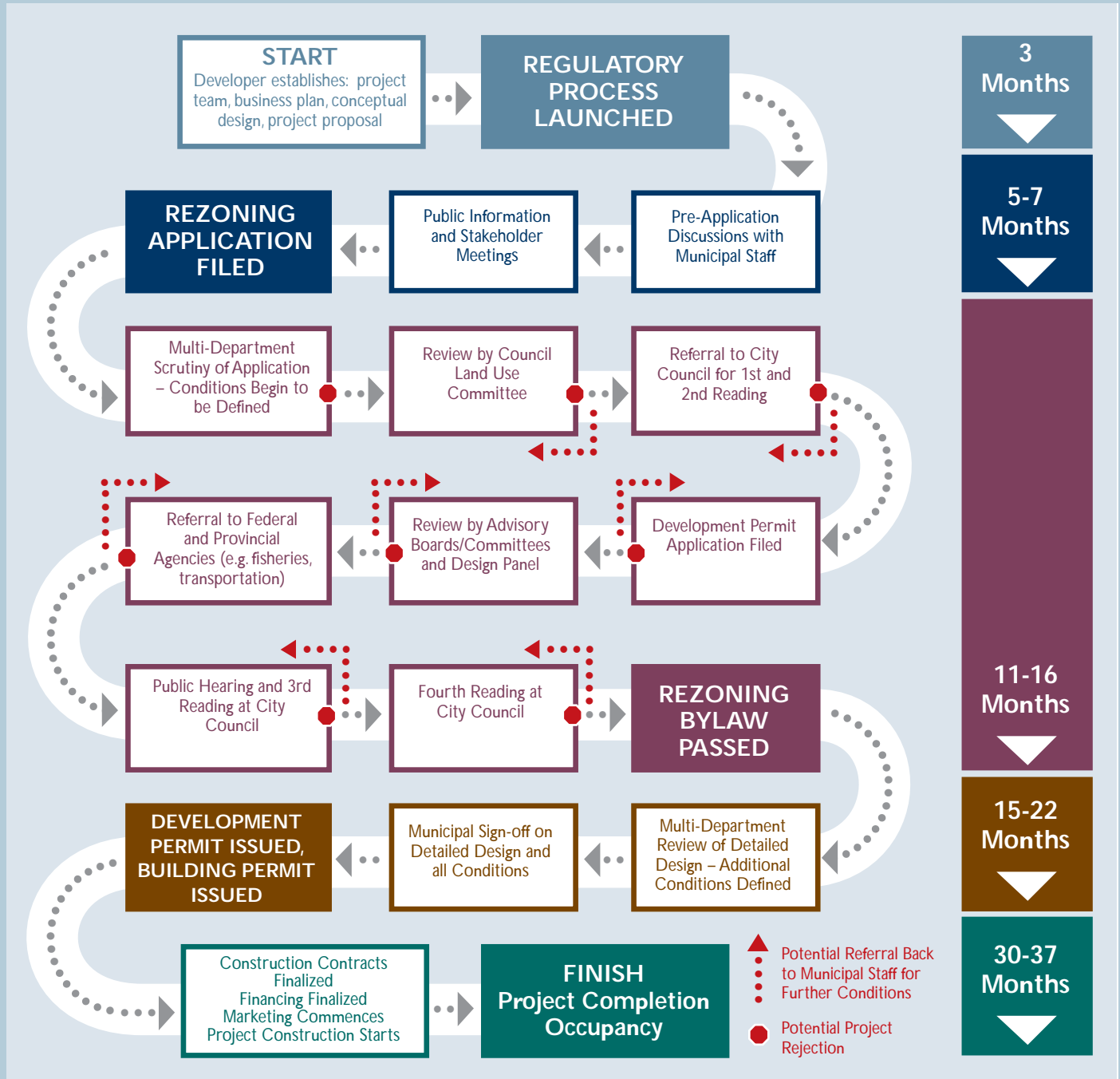


Source: Fraser Institute, 2006 Investment Climate Index

Getting From A to B: A Look at Construction Sector Regulation

A developer undertaking a major project has to navigate a labyrinth of municipal regulations and red tape before concrete can be poured and hammers can begin hitting nails. This chart shows how the process and timelines could unfold for a typical development in the Lower Mainland – with

its multiplicity of steps, players, and risks of referrals back to earlier stages. These lengthy processes result in lost productivity and revenue for contractors large and small, and provide no certainty of outcomes until the very final stage.



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