



# Open Tendering

## Summary

Merit Ontario members believe in a business environment in which construction contracts are awarded on the basis of corporate merit and every worker has the chance to work on a publicly funded project. Unfortunately, there are laws in Ontario that bar many workers from working on a project's job site paid for with their tax dollars.

In such cases, called closed tendering, not all contractors are allowed to bid on publicly funded projects. Bidding is instead restricted to specific unionized contractors affiliated with the building trades. As a result, approximately seven out of 10 Ontario construction workers are excluded from employment on such projects.



## Summary

The Federal Government and the previous Ontario Government had pledged to invest \$21.8 billion in infrastructure over the next decade, with municipalities and other partners expected to bring the total investment to over \$31 billion. Since these funds have been paid for by all Ontarians and are meant to create lasting infrastructure projects for the benefit of the Province's entire economy, all Ontario workers should have equal access to these job opportunities through open tendering.

While local jurisdictions should be free to decide how to allocate the funds they raise locally, they must respect the rights of all Ontario workers when it comes to using funds raised from all Ontarians. Therefore, Merit Ontario suggests the Ontario Government mandate that all construction projects financed with provincial funds must be tendered without any precondition requiring contractors to be signatory to any union or abide by the terms of a specific collective agreement.

## Significant Savings Possible for Ontario Taxpayers

Merit Ontario members believe that only a business environment in which construction contracts are awarded on the basis of corporate merit ensures that clients receive the best possible service at the best possible price. Closing competition for important provincial infrastructure projects unnecessarily increases costs to taxpayers and undermines the long-term prosperity of Ontario.

Several studies have noted the increased costs of a closed system. For example, a Cardus study found that Ontarians are paying 20-30% more for construction projects that are subject to closed tendering. A separate study found costs were 40% higher in Hamilton for projects awarded in a closed system. Next door in Quebec, a study conducted by the City of Montreal found closed tendering inflated project costs anywhere from 30-85%.

With the Province and its partners planning to invest \$31 billion in infrastructure, that potentially represents billions of dollars worth of inflated costs. Using the Cardus figure of 20-30% in inflated costs under closed tendering, that would result in \$6.2-9.3 billion in waste. If that money is used more productively as a result of competition, that means more projects get funded and more Ontarians are put to work.



## Increased Employment Opportunities for Young Workers

Policies that limit tendering for public works projects effectively create a regulated minimum wage for the construction industry. Regulated minimum wages generally have a negative impact on employment opportunities for young workers with little experience. Since minimum wage regulations needlessly increase the marginal cost of labour, employers are discouraged from hiring additional workers, even during times of peak demand. While this is beneficial to those workers who are already employed, particularly the highly skilled with significant on-the-job experience, it reduces opportunities for job seekers, particularly young people with little experience.

Since one of the objectives of infrastructure spending is to create jobs, policies that increase costs to taxpayers while reducing employment opportunities for young Ontarians with little work experience undermine the long-term health of the Ontario economy.

## Recommendation

In its first Throne Speech, the Ford Government committed to respect workers across all professions and trades “by ensuring everyone gets a fair opportunity to compete for opportunities and build their careers here in Ontario.” It is now time to put that promise into action with legislation to mandate opening tendering for all projects that use provincial funds. This will allow for real competition, and that is the only way to ensure respect for taxpayers and the optimal utilization of infrastructure dollars.



## About Merit Ontario

Merit Ontario is a member driven organization representing Ontario's open shop construction sector. We advocate and support sound legislation and regulation which is fair to both employers and employees in the areas of labour relations, apprenticeship training, worker's compensation, and safety. We believe that fiscal responsibility is the obligation of all branches of government, and, accordingly, that government should award contracts to the lowest bidder qualified to perform the work. The ultimate goal is to have an equitable and competitive marketplace for construction contractors.

