



Legislative Assembly of Alberta

The 30th Legislature
Second Session

Standing Committee
on
Alberta's Economic Future

Alberta Construction Association

Friday, July 31, 2020
9 a.m.

Transcript No. 30-2-3

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Standing Committee on Alberta's Economic Future

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Gochring, Nicole, Edmonton-Castle Downs (NDP), Deputy Chair

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Standing Committee on Alberta's Economic Future

Participants

Alberta Construction Association
Ken Gibson, Executive Director
Leon Gullickson, Senior Vice-chair

9 a.m.

Friday, July 31, 2020

[Mr. Neudorf in the chair]

The Chair: Good morning, everyone. I'd like to call the meeting to order. Welcome to members and staff in attendance for this meeting of the Standing Committee on Alberta's Economic Future.

My name is Nathan Neudorf, and I'm the MLA for Lethbridge-East and the chair of this committee. I'd ask that members and those joining the committee at the table introduce themselves for the record, starting to my right with the deputy chair.

Ms Goehring: Good morning. My name is Nicole Goehring. I am the MLA for Edmonton-Castle Downs. I would like to extend a warm welcome to Ken and look forward to your presentation.

Thank you.

Mrs. Allard: Good morning. Tracy Allard, MLA for Grande Prairie. Welcome.

Ms Armstrong-Homeniuk: Jackie Armstrong-Homeniuk, MLA for Fort Saskatchewan-Vegreville. Good morning.

Mr. Williams: Dan Williams from Peace River.

Mr. Koenig: Good morning. I'm Trafton Koenig with the Parliamentary Counsel office.

Dr. Massolin: Good morning. Philip Massolin, clerk of committees and research services.

Mr. Roth: Good morning. Aaron Roth, committee clerk.

The Chair: I would also like to note for the record the following substitutions: Mr. Rowswell for Mr. Stephan and Mr. Williams for Mr. Reid.

I acknowledge that there are a number of people online: Mr. Deron Bilous, Mr. Thomas Dang, Mr. Nate Horner, Ms Janis Irwin, Mr. Roger Reid, Mr. Rowswell, and Mr. Toor. Welcome, all.

I believe the member also on the phone is from the Alberta Construction Association, which we'll get to in a moment.

A few housekeeping items to address before we turn to the business at hand. Based on the recommendations from Dr. Deena Hinshaw regarding physical distancing, attendees at today's meeting are advised to leave the appropriate distance between themselves and other meeting participants. Please note that the microphones in the committee room are operated by *Hansard*. Committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. Please set your cellphones and other devices to silent for the duration of this meeting.

The first item of business, please, is the approval of the agenda. Members may provide notice at this point of any item they wish to bring forward, and the chair can call that motion. Does anyone have any additional items to be brought forward?

Section 6 of the Legislative Assembly Act permits participation in the committee by means of telephone and other communication facilities that permit all members participating in the meeting to hear each other if all the members of the committee consent. For members' information and so that members are aware, the committee rooms are equipped to facilitate participation via teleconference and have recently started using video conferencing as well. As members are aware, although the committee at its orientation meeting passed a motion to allow the teleconference participation by members, the committee must either pass a motion unanimously to allow for video conferencing today or members may instead pass a motion to approve meeting attendance by video

conference for the balance of the Legislature. This would not preclude the committee from determining members' attendance in person at specific meetings as required. Does anyone have any questions?

Seeing none, would a member like to move that for the duration of the 30th Legislature the Standing Committee on Alberta's Economic Future permit committee members to participate by video conference subject to the proviso that the committee may require members' attendance in person at a particular meeting upon passage at a previous meeting of a motion to that effect.

So moved by Ms Goehring. All in favour, please say aye. Thank you. Any opposed? Hearing none, that motion is carried.

The next item up is approval of the agenda. Would someone be willing to move that the agenda for the July 31, 2020, meeting of the Standing Committee on Alberta's Economic Future be adopted as distributed?

Mrs. Allard: So moved.

The Chair: So moved by Member Allard. All in favour, please say aye. Any opposed? Hearing none, we'll move on to the next item, approval of the minutes of September 24, 2019. We have the minutes.

Member Goehring, question?

Ms Goehring: I think you're supposed to go to the phones and ask if anybody on the phones – like, to have them vote. Sorry.

The Chair: I apologize. Thank you very much for that, Deputy Chair.

Anybody on the phones for the motion, please say aye. Any opposed? Hearing none, thank you very much for those on video conference. It is carried.

Now approval of the minutes. Maybe we can do this one better. We have the minutes from the September 24, 2019, meeting of the committee. Are there any errors or omissions to note? Anybody at the table? Anybody online? Hearing none, would someone be willing to move that the minutes of the September 24, 2019, meeting of the Standing Committee on Alberta's Economic Future be adopted as circulated?

Ms Armstrong-Homeniuk: So moved.

The Chair: So moved by Member Armstrong-Homeniuk. All in favour, please say aye. On the phones, please say aye. Anybody opposed? On the phones, anybody opposed? The motion is carried.

Okay. Alberta Construction Association presentation. Hon. members, the subcommittee on committee business met on July 15, 2020, to consider a request from the Alberta Construction Association to make a presentation to the committee. The subcommittee has recommended that the committee meet to hear from the association today. We have with us Mr. Ken Gibson, executive director of the Alberta Construction Association, and also Mr. Leon Gullickson, who I believe is online, the incoming chair of the association, via teleconference.

I would now invite Mr. Gibson to make his presentation to the committee. Mr. Gibson, you have 20 minutes.

Mr. Gibson: Well, thank you very much for the opportunity to present. I am joined by Mr. Gullickson, who is our incoming 2021 chair. He currently is our vice-chair, and he chairs our safety WCB standing committee.

Perhaps, Leon, if you just wanted to introduce yourself to the committee, a little bit of background about where you sit in the industry.

Mr. Gullickson: You bet. Thank you, Ken.

Thank you, everybody, for allowing me to talk today a little bit as well. Leon Gullickson. Yes. I'm originally from Lethbridge. I started the Grande Prairie division of our company back 14 years ago. The company is Southwest Design & Construction. It's an Alberta company that's been in business for over 40 years. We have offices in Lethbridge, Medicine Hat, Calgary, Edmonton, Grande Prairie and Inuvik. We're a general contractor, a small to medium-sized general contractor, but we have very good coverage in the province.

Thank you.

Mr. Gibson: Thanks, Leon.

As part of Leon's service to the industry he is also a past chair of the Grande Prairie Construction Association and a past board member of ACA, and now he's on our executive.

Aaron was kind enough, I believe, to distribute both the PowerPoint and there is a PDF version that we provided. We'd like to go through this, and Leon is going to bring in the actual industry perspective. In view of the time, we'll get started.

Just as an overview – again, if you're following along on the PDF, the page numbers that are referenced there refer to the PDF. I wanted just to give the committee members a quick overview of where ACA, Alberta Construction Association, actually sits within our construction ecosystem, an overview of sort of the economic impact, and then we'll get into some specific issues. We're going to go through this quite quickly because we appreciate, number one, that you have a lot of material that you have available and, number two, that you have a busy agenda.

We've tried to summarize for you some key messages that are elaborated on in the subsequent slide, and we can come back to those, so I'm going to skip ahead to a little bit about us. You'll see that we are the largest construction association, and we have many, many relationships, many partnerships. Our focus is what we refer to as nonresidential or institutional, industrial construction, mainly vertical buildings, a little bit of civil or sometimes called horizontal. We're probably the largest industrial association in Alberta, with approximately 3,000 members.

What I think is most relevant for you folks is that we're actually among the largest employers; 1 in 10 working Albertans all across this province are employed in construction, and that is in the field. So folks like Leon, who are in management positions, all the architects, all of the engineers, all of the people who work in finance, HR, IT, all of the manufacturing that supports our industry: all of those are additional Albertans that are employed, so in every one of your constituencies there is a very large number of constituents and their families who earn a living because of the construction sector. That's one of the key things that we'd like to leave with you. Much as Leon indicated – you'll see the little pie chart there in the corner – the majority of our firms are small to medium-sized businesses. We have major global firms as well, multinationals. PCL would be a household name. But the vast majority of people who earn their living in this industry in Alberta work in small family-owned businesses right in your communities.

9:10

What is also in your package, not on the PowerPoint slides but in the PDF package: our industry peaked in employment in 2015 and has gone down in employment every year since. We have one chart in there that divvies up current employment by region within the province so that for your own ridings you can get a sense of the number of people that are direct employees. You'll see that over the last four quarters that decline in employment has continued. Our industry is hurting. We've had a triple whammy. We've had an oil

price collapse that has impacted investment, we've had a recession, and now we have COVID. Just moving forward, in terms of our business environment, the largest one has been a lack of work.

I'd like to call on Leon because he makes his living doing this stuff. Maybe, Leon, do you want to just elaborate from your perspective as a general contractor operating in the province to give our colleagues in the Legislature a flavour of what you've been managing and challenging? Our board: we have environmental scans, so Leon can give you a sense province-wide as well from those board discussions. I'll turn it over to you, Leon.

Mr. Gullickson: Thank you very much, Ken. Yeah. We've experienced a very large drop in business in the last couple of years and extremely in the last six months. We've seen some large companies have trouble. Stuart Olson was just bought by Bird Construction, and that includes Stuart Olson's other spinoff companies like OML, EnCana. Of course, hopefully everything goes well in that buyout. That's on the large scale.

On the small scale, like our company here and our other divisions and other companies like us across the province, two years ago we bid jobs – we do all types of things. We've done eight fire halls up here, multiple medical centres, and a lot of industrial, commercial buildings as well. Two years ago we would bid a normal job at 15 to 18 per cent for profit and overhead. In this last six months even bidding at 4 to 6 per cent for overhead and profit, we have trouble getting jobs. There's not that many out there. There are two or three times as many bidders from all over the province that are bidding everywhere, just trying to get the work. There are a lot of effects when you do get a job at those low margins. It's very difficult when something goes wrong, whether it's a COVID outbreak or anything on the site and then, of course, labour issues.

We have had a few glimmers of hope, but we haven't seen anything yet. Our company: across the province here we probably rely about 30 to 35 per cent on municipal and government projects and the balance on private. Of course, we've seen the downturn in both of those sectors, so it's been a tough time. A lot of smaller companies up in this area have suffered, and quite a few have gone under in the last six to eight months, as Ken mentioned, both because of the downturn in the economy and now because of the triple whammy of the COVID outbreak.

I think that's a brief description, Ken.

Mr. Gibson: Yup. That's perfect. Thanks, Leon.

You know, the challenge is, as you'll see on this PowerPoint slide, that construction works best when it's in a collaborative environment, and that comes down to the contract. We'll touch on that some more. But in terms of solutions, the biggest thing that the government of Alberta can do to help keep those Albertans employed is long-term certainty in the capital plan, no big swings up or down, just steady as she goes so that people can plan, can make their investments.

You know, we do have some ideas around changes in terms of procurement and contract language that we believe would reduce red tape and increase value for taxpayers. Again, we're grateful as an industry and as an association that we do have the opportunity to partner with Alberta Infrastructure and other elements of the government, with Service Alberta on prompt pay, as another example.

Maybe what we'll do is that we'll zip through our presentation, and then if there are questions, Mr. Chair.

Moving on just to workforce, really, what construction brings to the table in terms of delivery and value for taxpayers is the passion and skill of the people who work in the industry. When the industry is hurting, it is most directly reflected in the workforce situation.

Again, Leon, maybe just a couple of quick comments on how you see that playing out for you and your peers in the industry.

Mr. Gullickson: Yeah. Thanks, Ken. We've found it difficult to retain skilled workers and certified journeymen, journeypeople, basically because of our inconsistent workload and jobs – I've lost a couple of key people to British Columbia – and then finding people that have the experience.

Up here in Grande Prairie we've really focused on, at the high school and even junior high levels, getting young people involved and understanding construction, that it's not a dirty word. It's a good career. There is a lot of opportunity out there. But we really need a consistent workload to provide a consistent job for them, too. That's something that we work on, and it really helps when the government understands that to train and bring up our young people in a very, very good profession, construction, funding on certain municipal and other projects is a real benefit because it is a substantial part of our work.

Mr. Gibson: Thanks, Leon.

A couple of points, maybe just to highlight for the committee, Mr. Chair. The first is that the federal government, in particular, and some of the municipalities are looking at something called community benefits. What would be a lot more successful than mandating community benefits, where there's a target of, say, multibarriered youth, and what we propose: we'd like a partnership, a multiyear partnership. The problem right now is that if safety is paramount, which it is, and you take somebody who has no skills, no experience and introduce them to a job site, you can't effectively use them and keep them safe.

What we've proposed is: why don't we develop a partnership with the government of Alberta where, on a voluntary basis with these targeted individuals, if they will stick with us and a group of employers within the membership, we will help to skill them up across a number of projects. They won't always stay with the same employer, but we could over a period of projects get them to a point where they actually have the ability to attach long term. That's still under discussion, and we encourage you folks to have a look at that.

The second thing that is happening in the industry is that, much like any other industry in the world, there's an incredible amount of digitization and automation going on. Eighty per cent of the training of an apprentice is done on the job, so we also have to train the existing workforce. We have to upscale. The ministry of labour did assist us with a grant. We have done some work on that. We were busy rolling out the results of that study when COVID hit, so we're kind of in a bit of a pause, but that's another thing that we'd like to continue to partner with the government of Alberta on.

9:20

I'd like to move on to regulatory challenges and, really, begin with some thank yous. We've been asking for prompt-pay legislation. You need to know that Service Alberta has done an incredible job of consulting with stakeholders. We're hearing that prompt-pay legislation may be introduced in the fall session, and we're really, really appreciative.

The other area. With Bill 30, I believe it was, or Bill 32 – sorry; I can't remember – on employment standards, there have been some changes to previous legislation that we think better reflect the unique nature of the construction workforce. You know, keep in mind that it's not a shop floor 24/7, 365. It's project based, it's seasonal, and it's often remote compared to where the workers reside. We think that there have been some good changes. As chair of safety, WCB, Leon has been directly involved. We just submitted the consultations on the WCB Act and the OHS Act.

Maybe a quick word there as well, Leon?

Mr. Gullickson: You bet. Yeah, we appreciate the government working with industry to make our projects and our workforces more flexible. When we're at a site anywhere, whether it's remote or here in Grande Prairie and we have three or five or seven days of terrible weather and we cannot work on the site, the flexible averaging of hours really helps. A year ago, when we didn't have that, people would be off work, and we can't afford, with low margins, to bring them back and then work 12 hours a day to catch up, because we can't afford the overtime. Averaging the hours helps a lot. When the weather is nice, then we can work the longer hours, and they can bank those hours so that when they do have time off, they get a regular paycheque. We really appreciate that, and our employees do, too, because they have payments to make. Some of that previous legislation really hurt workers and their families, so thank you for that.

Yeah, like Ken mentioned, the critical thing for all of us is safety, and we're working with the government on, again, making safety more flexible and higher levels of safety. Some of the past legislation didn't help that. It actually obstructed some of those items. So we appreciate working with the government, reducing red tape, and focusing on the end result, safety.

Thanks, Ken.

Mr. Gibson: Yeah. Thanks, Leon.

So we're here. In your introductory remarks you folks acknowledged changes in the environment due to COVID, and that actually is where we would like to spend a bit of time with you. The biggest challenge right now in moving forward: you know, every level of government, our industry hears, is viewing investment in infrastructure and harnessing the construction industry to be an engine of economic recovery. The biggest challenge around that, though, in current and future procurements, is uncertainty as to how to price COVID.

You know, go back in your minds and think about: if people had bid work for the government of Alberta, say, in the fall of 2019 for installation in the spring of 2020 and it happens to be some nice marble that's going to go into the Legislature Building, they're going to have to source it out of Europe. Think back. Now we roll into January and February 2020. The person has bid, they've won the work, they're on-site, and all of a sudden no marble from Italy. No one could have anticipated that. They go to Alberta Infrastructure and say, "We can't get marble from Italy." Infrastructure says, "Well, source it elsewhere." "Okay. Well, we'll go to Spain. Oops. Jeez, we can't do Spain. Well, we'll go to France. No, no. We can't do France."

Imagine now looking forward. Your own chief medical officer is telling us, along with everybody else across Canada and globally, that there's going to be a second wave of the pandemic. We know from daily headlines that COVID is mutating. We know that there are changes in the law. City council here just voted on some changes to bylaws. We know that health authorities are saying: look out in terms of the health care system if COVID and influenza peak. Where we're at is that people cannot price with those unknowns, and unfortunately we have been unable to get public tender authorities, including the government of Alberta, to acknowledge that in current and future procurements.

We have provided some advice. We await the outcome of that, but we want you to know that with all those billions of dollars that you're putting into economic recovery and sustaining jobs, some of that money is, unfortunately, going to end up having to be tied up in claims and not do those good things. It's going to be tied up when crap hits the fan and contractors say: "I can't take on this risk. I couldn't have priced it. I have a claim." You're going to see dollars

tied up in litigation and claims, unfortunately. We have some suggestions around that.

The Chair: Thank you very much, Mr. Gibson and Leon. We really appreciate your presentation.

We now have up to 45 minutes for questions and answers from both sides, and as I would like to participate in that, I will be vacating the chair and allowing the deputy chair to lead that discussion.

Does anybody from the opposition have any questions that they would like to start with online?

[Ms Goehring in the chair]

The Deputy Chair: Hearing none, perhaps we can go to the room. Anyone have questions? Mrs. Allard.

Mrs. Allard: Yeah. Thank you. Do I need to work this mic?

The Deputy Chair: No. *Hansard* will do it.

Mrs. Allard: Perfect. Thank you.

Thank you for being here. It's been very interesting to hear your presentation. I just wanted to actually start my question where you left off. Obviously, we're very concerned about fiscal stimulus. I would say that all Members of the Legislative Assembly are concerned about the economic reality. I wanted to hear a little bit more about your suggestions around not having money tied up in claims and litigation and what other things you can recommend for us to use those dollars the most effectively.

Mr. Gibson: Certainly. Thank you. We're a bit puzzled because, generally speaking, the government has promoted consistency across different ministries, but we've really noticed that Alberta Transportation and Alberta Infrastructure are moving on different paths. Alberta Transportation on awarded projects, projects that are already in place, have created a fairness panel. Now, it's retired folks who no longer have a stake either in government or the industry. There's equal representation. If a contractor comes forward and says, "There's no way I could have anticipated it. It wasn't part of my original bid. I've got costs here," there is an opportunity, through this process, where as part of the contractual – every contract has dispute resolution, but they've added this step where the claim can go before this fairness panel, and the fairness panel can offer a nonbinding recommendation to Alberta Transportation to say, "Yeah, this looks reasonable" or "No; reject it." We think that's a good practice, and we'd like to see it in Alberta Infrastructure.

For new procurements, current and future procurements, the ring road – on July 2 in the *Calgary Herald* there was a report that confirmed that Alberta Transportation pre-tender actually introduced some changes specifically in recognition of COVID, one of which was to say: we're going to extend the duration of the project by a year. The second one was that up to May 2021, which is still kind of a known period of time, the contracting team is responsible for COVID costs; you should be able to foresee those in your bid. For anything after May 2021, though, Alberta Transportation has signalled: yeah, we're open to negotiation on those costs because you can't foresee them. Again, we're looking for something similar. You know, members of our industry are taxpayers as well. We understand the need for fiscal prudence. It's not like a raid on the piggy bank.

9:30

But what would be extremely helpful and what we have actually proposed in correspondence to the government of Alberta is some

standard language that could be added. That is in your package, and it in essence says: look, we recognize that there may be COVID impacts and that you can't fully predict them. We will be open to a reasonable process and a defined process where you can bring it forward and we will evaluate and we will treat it reasonably. We think if that was added into requests for proposals and into instructions to bidders on stipulated sum tenders, that would give the degree of certainty that would allow companies to be able to bid work. Instead, what's happened in a few cases is that where people have sought clarification, Alberta Infrastructure has actually said to them: well, you've qualified your bid, and according to our rules you are now disqualified from bidding; you are not allowed to qualify your bid.

Most recently on the Red Deer justice centre an addendum came out that basically said: the government of Alberta is going to be requiring contractors to be able to complete in a timely fashion under COVID, and your ability to do so will affect your prospects with us both on this project and on future projects. That sends a real chilling effect because what's happened on Red Deer justice is that the government of Alberta has introduced three extensions to the tender period, and what that is saying to contractors and how it's being interrupted is: if you ask questions about how much is available to do the work, we're going to treat you as, "Well, you're just not capable of doing it on a timely basis, so not only are we going to not look at you for Red Deer justice; we may not look at you at all."

So prudent contractors in our membership are saying: how do we bid to Alberta Infrastructure? We have issued a member advisory with the questions that we believe should be asked. That's in the PDF package that you have. Again, we have issued our recommended language to the government of Alberta and, unfortunately, have not yet seen that being adopted.

Mrs. Allard: Thank you.

The Deputy Chair: Do you have a follow-up?

Mrs. Allard: I think I'm good.

The Deputy Chair: Thank you.

Mr. Dang.

Mr. Dang: Thank you, Madam Chair, and thanks, Ken, for presenting today. It's been a while, I think, since I've seen you, so it's good to see you virtually here.

I guess you answered a lot of things that I sort of had on my mind before we heard your presentation, so I'm really appreciative of understanding more of the complications you've had, that industry has had with COVID and some of those concerns as well. I guess I just want to go back a little on some of the prompt payment issues you had talked about earlier. I mean, I've been hearing from members of your industry through my role as a critic about prompt payment and concerns around prompt payment for quite a bit of time now, and I know that there's some work being done. Can you maybe go further into what you think would be appropriate in terms of legislation to ensure prompt payment and maybe particularly around some of the COVID issues how that would help your industry moving forward?

Mr. Gibson: Just for everybody's benefit, what prompt payment refers to is for work that's been properly performed and invoiced having a reasonable period in which to get paid. Accounts receivable in construction world-wide – this is not a Canadian issue – have sort have gone over the past few decades from 30 days to 50 days. We're up past 70 days in Canada. In the oil and gas sector it's

quite frequent that people don't get paid for 120 days plus. Their lien protection rights under the Builders' Lien Act expire after 46 days, so they have no ability, they have no remedy, so people quite often take writedowns to get any payment or sadly – I have a former chairman where delayed payment cost him his company, and I think he had 300 employees at the time, Concept Electric out of Calgary.

What has happened in other jurisdictions around the world and starting in Canada with Ontario is that prompt payment legislation does two things. It mandates a specific payment schedule, and you can't contract out of it. Secondly, it puts into place a mandated adjudication for rough justice on interim payment disputes. There's still a final accounting and settle-up. To keep the project flowing, certainly under COVID we do need to keep project dollars flowing.

Again, to the credit of the government of Alberta and Service Alberta, there's actually been excellent dialogue. In answer to your question, MLA Dang, probably the Ontario model will largely fit Alberta. The one major concern that we've expressed – and, again, been very pleased with the response so far. In Ontario they set up a monopoly to handle these adjudications. It's a very expensive infrastructure because it's a quasi-legal process. We're trying to work through how we can maintain quality and credibility at a lower cost and still implement quickly. That is a legitimate challenge, but full marks to Service Alberta. We're getting pretty close. We think there will be legislation, again, with the fall sitting.

Hopefully that helps, Thomas.

Mr. Dang: Sure. Yeah.

Can I just have a quick follow-up, Madam Chair?

The Deputy Chair: Yes.

Mr. Dang: Perfect. Thank you, Ken. That does help. I guess in terms of that, just to clarify, I assume you're looking for a whole-government approach when you're talking about this. I mean, you don't want a discrepancy between how it's applied in transportation procurement versus infrastructure procurement versus how health projects are run for CMR or whatever. You would want the whole process to be encompassing, I guess.

Mr. Gibson: Further to that, Thomas, actually, what's been implemented in Ontario is that it would apply to private sector contracts as well. There are provisions for a slightly different payment regime if you're doing a P3 because those are milestone based. They're not on sort of a 30-day cycle. Alberta Infrastructure on a voluntary basis has had a sort of 30-day payment cycle since mid-2016, but it really needs to extend across the entire construction marketplace, and legislation, unfortunately, is what's required to do that.

The Deputy Chair: Thank you.

Next on the list I have Ms Armstrong-Homeniuk.

Ms Armstrong-Homeniuk: Thank you, Chair. Through you to Mr. Gibson, holding a journeyman ticket, of course, myself, it makes me very, very happy to speak on this. The Alberta government is focused on building up our skilled trades workforce, and we believe that trades training and certification have the same value as a degree. Can you please highlight how your industry builds and promotes the skilled trades workforce?

Mr. Gibson: Certainly. We're very fortunate. I have been blessed with seeing first-hand how our industry really embraces education and training and skill development. Our industry literally puts in millions of dollars a year in scholarships, tuition reimbursement on an in-kind basis. Industry puts into the various colleges and

technical institutes donations of equipment and materials, and, most importantly perhaps, the volunteer effort.

One of the things that distinguishes the Alberta apprenticeship system is that it is industry run, so there are provincial advisory committees and local advisory committees that feed up into the Apprenticeship and Industry Training Board, which also has industry appointees. The system has worked really well. The industry is very supportive. Again, the key that we need members of the Legislature to understand is that it takes a minimum of four years to take someone through to journey person status and another few years for them to really get extremely competent and be in a position to mentor as a seasoned journey person, mentor the new apprentices, so we're looking at six to eight years.

9:40

If we have – and my own son went through this – sort of this up and down, peak and valley in investment, those young people still have rent and car payments to make. If the work is not there for them, they exit the industry. The biggest thing that the government can do to help ensure that we have those future replacements coming in and having a rewarding career is nice, steady, adequate, sustainable, predictable, consistent funding levels, so then firms can make their plans and keep those people employed.

Again, as one of the unintended consequences of a mandate that says, "Oh, well, you must have so many apprentices on a job," if the government does that and there's simply not enough work, some companies say, "Okay; well, I guess I'm going to have to reduce the number of journey people I have," which sends completely the wrong signal to people who want a career in the trades. You know, your reward is: after you do all of these years, we're going to have to put you on the shelf while we hire somebody else. That's where we are nervous about that kind of an approach.

The Deputy Chair: Thank you.

A follow-up?

Ms Armstrong-Homeniuk: Yes. I was just wondering if you could lend a little bit of a light on how – we know that the Alberta construction industry is an important part of our economy. Looking at other Canadian provinces, can you tell us how we're doing compared to other provinces?

Mr. Gibson: I would go so far as to say that the Alberta system is not only the best in Canada; I think it's probably the best in the world. Certainly, the European Union countries have a little bit of a different take, and we can learn – absolutely, we can learn – things from them, but we have a really outstanding system. It's buttressed by outstanding institutions, Lethbridge College being one, and Chair Nathan knows all about that. NAIT and SAIT are world class. Alberta produces 20 per cent of Canada's apprentices with 10 per cent of the population. Like, we've got a lot of things right going for us.

One of the interesting challenges, though. I talked about technological change, and actually we have to be a little bit careful. On the one hand, we're trying to harmonize across Canada, but if we try and introduce technological change and, say, the Alberta system says, "Yeah; we've really got to adopt that new technology," we may actually now be in a situation where we have to go and negotiate with nine other jurisdictions and say: we want to change the curriculum to introduce this new technology. Before we could just do it on our own. Now we may actually have this other step. What Malcolm Haines, then dean of construction trades over at NAIT, told me is that it's about, right now, a seven-year cycle to get curriculum updated, and with technological change we've got to look at that.

While we have the best system, I think that there are still areas that we can – just real quick on the Skills for Jobs Task Force. As far as I know, the only three employers that are on the task force are all former chairmen of the Alberta Construction Association, so we're really grateful that we had the opportunity to nominate those people and have their candidacies accepted.

The Deputy Chair: Thank you.

On the phone I have Mr. Bilous.

Mr. Bilous: Hi. Good morning, and thank you for joining us at this committee. I just wanted to go back to your comments around the federal government's community benefits program and the proposal that you've made to the Alberta government as far as bringing in a program that is voluntary based, and then if you can clarify your comments a little bit around how, you know, having folks on-the-job training would actually be an impediment to projects.

Mr. Gibson: Thank you for the question. Several years ago I was up in Wood Buffalo for an industry session where the RM was introducing community benefits, and they talked about: well, you know, your industry should be able to take these unemployed youth with no skills and put them on the job site. I remember one of the contractors saying: "Well, in principle, that's a wonderful idea, but 90 per cent of my business is with the oil and gas sector. The only way I can maintain that business is that I have to have an absolutely outstanding safety record. I can't take unskilled people with no training and put them on job sites because the impact on my safety record will cost me 90 per cent of my business."

In principle, it's an idea where we think that rather than sort of mandating on a project-by-project basis, continuing to develop along the lines of the existing programs through Careers: the Next Generation, Women Building Futures, and so forth – those are good programs – the tweak that we'd like to propose or that we have proposed is this. Suppose we had 10 candidates and they all lived in Calgary and suppose that rather than putting them on one project, we sort of keep them on the shelf, where they can't hurt themselves, and that when the project ends, we let them go back to being unemployed, which doesn't help them, didn't help the project, didn't help the contractor. But what if we said: "You 10, why don't you stay with us for three years through the association? We'll marry you up with employers and projects. On the first project you're going to get basic training. On the second project you're going to get a little bit more advanced training. On the third project you're going to get even more advanced training so that by the end of the third project, you're actually quite employable and quite attractive to contractors." We think that that's a better approach than sort of ticking a box and saying: yeah, I've got that targeted group on my workforce for this project. Does that really help anyone?

Does that help explain it?

Mr. Bilous: It does.

Chair, if I can just follow up on that line of questioning. You know, I appreciate your comments. I recognize the incredible work that organizations like Women Building Futures do to try to encourage, train, and get more women into the workforce, especially in the areas of trades and construction. We know that women are significantly underrepresented, as are other groups like indigenous folks. I appreciate your comments on the concern that companies have around putting someone who has no experience on the work site, but I also recognize that organizations like Women Building Futures have only a certain capacity or a certain number of students they can take on per cohort, so to speak.

I'm wondering if your industry has any suggestions for what kind of support you would need from the Alberta government in order to have some on-the-job training for folks where, you know, maybe the academic route is not of interest. If they can't get into some of these existing programs, is there a way to have an additional option that wouldn't jeopardize the safety record of a company but would in fact provide that on-the-job experience? Like, are there any kinds of supports the Alberta government could have for the construction industry so that we can really look at increasing our number of employed, whether it's indigenous or women or youth who are interested and wanting to get some experience? How can your association help deliver that?

Mr. Gibson: Well, thank you. I'd like to take sort of three points if I might. The first point that I really want to inform the members of the Legislature on: there's this perception that there are too few women in construction. Actually, Alberta has the highest percentage of women in construction out in the field, but what is much less known and actually was a great learning experience for me – I set up a LinkedIn group. LinkedIn, as you know, tends to be professionals. My LinkedIn group is focused solely on our membership, and I'm up to about 5,000 people, of which about 25 per cent are women. What they are in our industry is chief financial officers, project managers, project engineers, legal counsel, IT, senior management. Like, there is not a shortage of women in construction. They're actually performing incredibly important work, vital to the success of our companies and our industry. They're not always out in the field, and I think that quite often has as much to do with the availability of child care for a mobile workforce as it does anything else. So I did want to make that point.

9:50

The second point. Again, I'd like to just reiterate that the best way for our industry to help develop its future workforce is to have that certainty of funding. If we have big peaks and valleys in terms of project volume, our ability to bring young people from any background and skill them up and keep them is compromised.

Then, finally, I'd like to be able to just reiterate that I think a pilot project where we could try some new ideas – it's very tough, unless you're a really large employer with many, many projects, to be able to take somebody who's completely unskilled and carry on with them forever, because it's a project-based industry. But if we recognize that there are always going to be projects out there and work out there and if we could bring together groups of employers to say, "Yeah, I'm going to commit to having a stint with those targeted individuals, but I'm not going to carry the full load; I'm going to be able to see them develop their skills with others" and if collectively we all want to do this because we do want to build our future workforce, I think we'd see some good prospects.

The Calgary Construction Association for years ran something called the youth experience program, the YEP. The one wrinkle that they didn't add in was this notion of carrying these young people from one employer to the next. It was sort of: you get your work exposure. And they had good success. For companies like Botting & Associates, mechanical contractors out of Calgary, a ton of their workforce came through that program. But we think we could build on what they learned with this other idea and give that a try, so that would be my next suggestion as to where we might go.

The Deputy Chair: Thank you.

Mr. Neudorf.

Mr. Neudorf: Thank you, Madam Chair. I have a couple of questions about procurement, Ken, if you don't mind. Can you just explain a little bit about the challenges facing the industry and the

request behind changes to contract law as opposed to understanding COVID on a case-by-case basis on projects and why you're taking the approach you are?

Mr. Gibson: Certainly. I appreciate that. We're very appreciative of the government of Alberta attempting red tape reduction. Leon talked about the size of margins in the industry. There is just no room for waste. But we face an interesting dichotomy. Most of the private sector uses standard industry contracts that are referred to as CCDC, and that stands for Canadian Construction Documents Committee. The Canadian Construction Association and their counterparts in engineering, architecture, the Canadian Bankers Association, and there are some owner groups: they negotiate the CCDC contracts, and they are a balance of interests. They're not tilted towards a contractor or the architect or the owner. The private sector generally uses those.

When it comes to the public sector, at every level across – and it's not unique to Alberta; it's everywhere. Let's pick Calgary, the University of Calgary. Actually, I should back up. The U of C uses CCDC, but Mount Royal college has their own. The city of Calgary has their own. Then you get up to the provincial level. You've got Alberta Transportation, which has its own. Alberta Infrastructure has its own. Like, some of my guys say to me: "Hey, we're taxpayers. We're all just paying for a different set of lawyers to make unique terms when we have the ability to try and reduce red tape and standardize."

So the biggest challenge is: taxpayers will pay when the risks perceived by the contracting community are not placed with the body best suited to manage that risk. That's the only way that the contractor can recover; they bid up their price. If they get a risk they can't manage, they're going to bid up their price. If they can't manage COVID, they're all going to put costs in. If they can't manage any other form of risk, you know, if they can't get on a site and there are underground conditions – that should really be the responsibility of the owner of that site, not the contractor – they have to bid that up.

A huge thing in terms of contracts would be that even if, you know, there are legitimate reasons why CCDC can't be used, if the University of Calgary makes it work, the city of Lethbridge makes CCDC work, but others say, "Oh, we can't use CCDC," then fine, but let's still standardize, and then we can train the industry so that everybody knows what those mean. It's all of these unique clauses, where people don't know what they mean.

A true story – and I know I'm rambling – that you need to hear. He's now retired, but Mike Nicolson was a vice-president with EllisDon, an absolute master at interpreting contracts, one clause to another: the risk provisions, the insurance, the indemnity. We were in negotiations years ago with Alberta Infrastructure on their contract, and Mike said: "If you take this clause with this clause and that clause, they are infeasible. No general contractor can actually live up to what your contract asks them to do. Do you realize that?" Alberta Justice had their lawyer in the room. It was clear they did not realize that their contract was not only unenforceable but that it was meaningless on these clauses. That's the danger of having lawyers come in and write law when they have no understanding of the industry.

The Deputy Chair: Thank you.

Mr. Neudorf: Thank you, Madam Chair, and thanks for that answer.

I want to continue down procurement to a personal project of mine. Can you explain for the benefit of the committee – you've got it as one of the challenges for the business environment – the

difference between low-bid and best-value procurement methods? I think that would be insightful for the committee as well.

Mr. Gibson: Absolutely. I appreciate that very much. So, folks, at some time or another you've probably all had to renovate a room in your house, and chances are that you didn't necessarily go with the low bidder. You went with the guy or gal that you thought would provide you the best value. It's really no different in commercial construction or institutional construction.

Public-sector contracts are weighted to: we've got to get the best value for the taxpayer, so we'll go with the low bid. The bidding community knows that the only way they're going to win that job is to come in with the lowest price. What happens after they're awarded the contract is an entirely different matter. If we're in an era, which we are in right now – and you heard Leon speak to it – where you've got multiple bidders, most contractors will put the effort in where they think they're up against three, maybe four competitors. If they're up against 15, 20 competitors, their likelihood of winning is not good, so you're going to get strange bids. Frankly, in the era that we're in, where cash flow is king and people are really hurting and companies are going down, you're going to have people bid work below cost. They're just trying to maintain their key personnel and get through to the next project where they can make some money.

What happens is that they win that, and crap happens. Then they say: well, we'd like a change order for this. Then there's a dispute. They're into negotiation, ultimately perhaps litigation, and at the end of the day you don't get value for the taxpayer. In jurisdictions around the world there are countries where they toss out the high bid, they toss out the low bid, and they take an average of the remaining bids, and whoever is closest to that average is actually who gets awarded the work because they're trying to deal with the outliers at both ends. The high guy probably made a mistake in his bidding. The low guy in tough times is desperate.

What would be far better is contracts that prequalify people on the basis of their track record and their abilities and their quality and then, once you're in that, saying to that smaller group of three, four, five contractors: "Tell us what you could do for us. What kind of value could you provide? Tell us what it's going to cost for you to provide that value." Then have your procurement team evaluate where is the best value.

10:00

Alberta Infrastructure right now has actually introduced an idea where they're trying to do that, but they haven't limited the number of bidders. What they're obliging everybody to do is put together a bid proposal, which is expensive and costs contractors a lot of money, but there are up to, like, 15 other bidders. What they're saying to the contractor community is: you spend all that money putting together your bid; your chances of winning aren't very good, but you go ahead and do that, every one of you. We would like to revisit that with Alberta Infrastructure and say: prequalify first, get down to three, four bidders, and then go that route, and it'll work.

Hopefully, that helps.

Mr. Neudorf: Thank you.

The Deputy Chair: Thank you.

We've exhausted our speakers list. We have 10 minutes remaining. I'm curious if there's anyone on the phone that wishes to get on the rotation.

Mr. Horner: Madam Chair, I'd ask a question if you have time.

The Deputy Chair: Go ahead.

Mr. Horner: Thank you.

Thank you, Mr. Gibson, for your presentation. I'm curious. I appreciated your comments in your opening remarks about some of the COVID-related issues in procuring materials. I believe it was your example of marble from Italy. I'm curious: have some of the trade issues with the United States and, more recently, China posed issues for your industry?

Mr. Gibson: Absolutely. A lot of the lighting fixtures come out of China. Most of the structural steel comes out of Quebec. Fire-rated doors either come out of Seattle for western Canada or come out of eastern Canada. The COVID-related disruption is enormous. The potential – I heard from the roofing industry. I was on a call with the roofing industry the other day, and they said: "Please tell the government that, you know, there's also the manufacturing part of the supply chain. If an insulation plant in Alberta goes down due to COVID, like the meat-packing plants did, it is a minimum of 50 days before we can get a usable product after they start up because it takes that long for the product to cure." No one can predict that timetable. No one knows when it's going to go down.

Some of these contracts contain something called liquidated damages clauses. If you can't get a school open on September 1, that's an inconvenience to the school division. That's going to cost you the cost of that inconvenience. As a contractor you're going to pay \$20,000 a day. Again, what we're saying is: you put those clauses in. How can we mitigate that risk when we can't even predict, like, a change in law? What if physical distancing requirements change? What if sanitation requirements change? What if, what if, what if? We just need certainty of a process where reasonable requests will be evaluated, and we understand that that doesn't mean they're going to be automatically approved, by any stretch.

The Deputy Chair: Thank you.

Mr. Horner, a follow-up?

Mr. Horner: Thank you, Madam Chair. You kind of touched on it, Mr. Gibson, but I'd just ask: how has this uncertainty affected pricing in the house market and other projects?

Mr. Gibson: I can't speak too much to the residential housing market. That's our colleagues and friends over at BILD Alberta. Currently I do know of a major, major project under way right now where, actually, the government of Alberta has introduced some major changes to the design, and the install is, like, a year away. The contractor has tried to say: you're asking to bring stuff in from China, and we have no idea how to price that because when we bring it in, we don't know if we can bring it in. That project does have liquidated damages clauses, and the contractor is stuck. They're already on the job. They are required to continue to do work because that's the way that construction contracts are generally set up, yet they can't get any certainty out of the government of Alberta on that one. It's a terrible dilemma.

The Deputy Chair: Thank you.

At this time we've exhausted this portion of the agenda due to time. I would like to thank Mr. Gibson and Mr. Gullickson for meeting with the committee today, making your presentation, and answering all of our questions.

At this point I would like to turn the chair back over to Mr. Neudorf.

[Mr. Neudorf in the chair]

The Chair: Thank you again, Mr. Gibson and Mr. Gullickson. We really appreciate that.

We will now proceed with the next item on the agenda, directions for a committee report. Hon. members, the practice of the legislative policy committees after receiving presentations of the kind we have today is to report to the Legislative Assembly on the information received. I would like to invite Dr. Massolin to provide a quick overview of the process in case committee members have any questions.

Dr. Massolin: Thank you, Mr. Chair. Yeah, I'd be happy to let the committee know that the Legislative Assembly Office's research services is available to prepare a draft report, if the committee so wishes, on the presentation that was heard today. Basically, it's a summary of the presentation, and it's a simple report. It happened once in the last Legislature and a few times in the previous Legislature where these types of meetings have happened. I'm just looking for direction from the committee to that effect.

Thank you.

The Chair: Thank you.

Any questions from the table or online? Mr. Dang.

Mr. Dang: Thank you, Mr. Chair. I'm just wondering, given that a number of the concerns raised by the presenter today include issues that may be addressed by the ministries of Infrastructure and Transportation, whether we would consider also inviting them to present to us and then perhaps have a report that includes all three perspectives of their work.

The Chair: Could you speak to that?

Dr. Massolin: I would think, Mr. Chair, that if the committee so desired, you could move a motion to the effect of inviting these other groups, and then after the presentations, if it goes that way, there could be another motion just to direct research services to prepare a report. But that's up to the committee.

The Chair: Would that request need to go through the subcommittee as well? Is that the process?

Dr. Massolin: No. This committee can . . .

The Chair: This committee can do that?

Dr. Massolin: Yeah.

The Chair: Anybody from the government side?

I would wonder, if I could put this forward for the committee to consider in the times in question here, if we were able to instruct the Legislative Assembly to prepare the report on what we heard today and keep that separate from the further request to the two ministries to come and present. That way, given that we are seeing the first time off in quite some months, that might be more appropriate rather than delaying this report to said possible future. If the committee would be willing to consider just those two requests as separate, not to preclude one from the other: any thoughts on that?

Mr. Dang: That sounds reasonable to me, Mr. Chair.

Mrs. Allard: I would support that also. Thank you.

The Chair: Then what we will do is have two motions. The first motion, as written, if someone would be willing to move this, is that the Standing Committee on Alberta's Economic Future direct research services to prepare a draft report to the Legislative

Assembly summarizing the presentation heard by the committee at its July 31, 2020, meeting and that the committee authorize the chair and the deputy chair to approve the final report after its distribution to the committee.

If someone would move that.

Mrs. Allard: So moved.

The Chair: All in favour, please say aye. Sorry. I'm out of order on myself. I apologize. If anybody would like to comment on that before we vote, I'll just take one step back. Any comments online or around the table?

10:10

Seeing none, then we will move back to the motion. All in favour, please say aye. And online? Anyone opposed, please say no. And online? Hearing none,
that motion is carried.

Now, if the clerk would help assemble a second motion as per Mr. Dang. It's under other business. We'll be moving on to other business for that motion. If the clerk would be able to put up a proposed motion.

Mr. Dang: Sure. Mr. Chair, if I may?

The Chair: Yes.

Mr. Dang: Thank you, Mr. Chair. I guess that perhaps we could just have a motion that says: the committee would invite the Ministry of Infrastructure and the Ministry of Transportation to make a presentation regarding the issues that are addressed in the report from this meeting, as it were.

The Chair: We're just typing that up.

Dr. Massolin: Mr. Chair, does he want to speak to it while we're getting this motion ready?

The Chair: Yes. Thank you.

Are there any members of the committee that would like to speak to this motion while it's being typed up?

Mr. Dang: I could maybe just speak briefly, Mr. Chair.

The Chair: Mr. Dang, please proceed.

Mr. Dang: Thank you, Mr. Chair. I think that certainly we've heard some concerns and some compliments as well for both ministries, and I think it would be beneficial for members of the committee that, if we were going to make any other recommendations to the Assembly, perhaps we should be able to hear what the ministries are already endeavouring to do and what they may be doing in the future and how they're doing that work. I think that it might just be useful. I mean, I think it's fairly unusual for the minister himself to come, but certainly we could have some of the department officials present to us.

The Chair: Thank you for that.

Any other comments or questions or debate on this motion? We can't put the draft motion on the screen, but the clerk will read that out.

Mr. Roth: Mr. Dang, I've just sort of drafted something here. I just want to make sure it meets your intent. Moved by Dr. Dang that the Standing Committee on Alberta's Economic Future invite the Ministry of Infrastructure and the Ministry of Transportation to make a presentation to the committee in relation to the report of the

committee pertaining to the presentation of the Alberta Construction Association. Does that meet your intent?

Mr. Dang: That's perfect. Thank you.

Ms Armstrong-Homeniuk: Could you read it again, a little slower?

Mr. Roth: Sorry. Just a slight adjustment here. Moved by Mr. Dang that

the Standing Committee on Alberta's Economic Future invite the Ministry of Infrastructure and the Ministry of Transportation to make a presentation to the committee in relation to the presentation of the Alberta Construction Association.

Does that meet your intent?

Mr. Dang: Perfect.

The Chair: Okay. Thank you very much for that.

Any other questions, comments, or debate on it from any members online or around the table?

Mrs. Allard: Mr. Chair, I'm just wondering about the process, I guess. I would gather that industry has already engaged with the ministries, and I'm wondering if that's really the role of this committee and maybe if we're kind of getting in the middle of the stakeholder engagement piece already. So I'm just going to throw that out there.

The Chair: Would the clerk or Dr. Massolin be able to comment on that at all or not? No? Not appropriate at this time?

I think that would be the debate that could be put forward. That's what the motion is asking, so I don't have any further insight at this point.

Mr. Dang, I recognize you.

Mr. Dang: Thank you, Mr. Chair. I guess my only response or comment to that would be, then: what even was the point of this presentation today, right? If members of this committee and members of the Assembly think it's important that we have presentations like this, I think it's also important that we have context in terms of understanding what is happening during those discussions and from both perspectives. I think that guides our ability to make decisions and recommendations both in this committee and in the general Assembly. I would strongly encourage that we do hear from all perspectives in the open-hearing committee.

The Chair: I believe, Mr. Bilous, you'd like to speak.

Mr. Bilous: Yeah. Thank you, Mr. Chair. Just to supplement that, I think there's real value in an all-party committee having the same information, and I think that the construction industry or these groups see value in ensuring that all MLAs are aware of the challenges that they're facing and the opportunities. You know, being a former minister, yes, they are engaging directly with the ministries, but I believe that there is real value in all of us MLAs also being aware of what's going on with the industry. This committee provides an incredible opportunity and outlet for that exchange of information. I see it adding value, quite frankly, for both sides.

The Chair: Thank you very much.

Mr. Williams.

Mr. Williams: Thank you, Mr. Chair. It strikes me that it's also important that we remember our role as a standing committee, not

as government. The government itself does have the executive authority to make its decisions. It has its information. Our job is to collect the information from stakeholders, to present that to the Legislature. That informs members of the executive to make their decisions. It's important that we remember that distinction. It strikes me that we're doing our job well in that aspect, and we have to make sure that we don't mistakenly think that what we're doing is acting on behalf of the government when we are not.

The Chair: Thank you very much.

Anyone else wishing to speak to this motion before we take the vote?

Seeing none, on the motion as presented by Mr. Dang to invite the two ministries, as mentioned, as worded, all those in favour, please say aye. Online? All those opposed, please say no. Online? It would appear that
it is defeated.

Mr. Dang: I'd like to request a recorded vote, Mr. Chair.

The Chair: We have a request for a recorded vote. We will proceed with a recorded vote. I will start with those in the room. If you're in favour of the motion, please raise your hand.

[For the motion: Ms Goehring]

The Chair: In the room, those opposed, please raise your hands.

[Against the motion: Mrs. Allard, Ms Armstrong-Homeniuk]

The Chair: Mr. Williams, you are unable to as Mr. Reid is a standing committee member and is still participating, so no.

Those in favour of the motion online, if you could please state your name in favour of the motion.

Mr. Dang: Thomas Dang.

The Chair: Thank you.

Member Irwin: Janis Irwin.

The Chair: Anyone else online that would be in favour of this?

Hearing none, those online who would be opposed, could you please speak your name?

Mr. Reid: MLA Reid.

Mr. Rowswell: MLA Rowswell.

Mr. Horner: MLA Horner. Opposed.

The Chair: Okay. It's close. That would be five against and three for in a recorded vote.

The motion is defeated.

Thank you very much.

Is there any other business that needs to be addressed today? Anybody in the room or online?

Hearing none, we will proceed to the date of the next meeting. The next meeting will be at the call of the chair.

If there's nothing else for the committee's consideration, I would call for a motion to adjourn. So moved by Member Allard. All in favour? Online? Opposed? Online? That motion is carried.

Thank you very much. I hope that everyone has a wonderful summer.

[The committee adjourned at 10:20 a.m.]

