**August 11, 2011**

**Standing Committee on Finance**

**Study: Budget 2012**

**C/O** *Guyanne L. Desforges, Clerk of the Standing Committee on Finance*

Please accept this submission for the committee's study and meeting regarding Budget 2012.

Respectfully,

Robert R. Blakely

Canadian Operating Officer

**Proposal**

Our submission to the Standing Committee on Finance for Budget 2012 calls for a labour-mobility tax credit as a response to two major human-resources challenges facing the construction industry: labour shortages and allocation, and barriers to labour mobility. In this section we describe both, offer further details about our proposed solution, explain why now is the right time to implement such a proposal, and list some of the short- and long-term economic benefits that the Government of Canada will realize from a labour-mobility tax credit.

**Canada's construction industry at a glance**

More than one million Canadians are employed in construction's diverse trades and professions.

Each year, construction workers install, repair and renovate more than $150 billion worth of infrastructure.

Investment in construction accounts for 12 percent of Canada's GDP.

More than 260,000 businesses operate in the construction industry.

A vast majority of construction firms (90 percent of residential-focused businesses and 70 percent of non-residential businesses) employ five or fewer people.

By 2019, the construction industry will require 320,000 new workers to sustain activity and meet demand.

A worker's average mobility cost is approximately $3,500.

A labour-mobility tax credit could yield a return on investment of nearly 5:1 for the Government of Canada.

**CHALLENGE #1: LABOUR SHORTAGES AND ALLOCATION**

The 2011 edition of the Construction Sector Council's *Construction Looking Forward* report suggests that to replace retiring workers and maintain productivity, construction employers collectively must hire more than 320,000 new workers between now and 2019.[i] Of that total, the report projects that 157,000 workers must be recruited from non-traditional labour sources such as Aboriginal workers and new Canadians, while the remaining 163,000 must be taken from among new workforce entrants, and workers who relocate themselves from other regions of country.[ii] Clearly, these will result in significant labour shortages in the next decade.

Compounding this problem is the unevenness of demand for construction workers during the forecast period. Some regions of the country—such as Newfoundland and Labrador—are expected to face significant worker shortages between 2011 and 2014. Others, such as Ontario, will offer fewer work opportunities in the short and medium terms, but many more between 2015 and 2019. A third group (among them, Quebec, Nova Scotia and Alberta) will offer consistently high numbers of opportunities.[iii]

Construction is a transitory business. Jobs last for months at a time and no worker expects to move his or her family to new cities regularly. The construction industry, therefore, can partially solve its skills shortages by encouraging workers to temporarily relocate to other parts of the country to pursue new work. In its report, CSC assumes that construction can recruit as many as 163,000 new workers from other provinces if "interprovincial labour mobility [is] maximized to take full advantage of the national workforce." [iv] Unfortunately, labour mobility is not so unencumbered.

### CHALLENGE #2: BARRIERS TO LABOUR MOBILITY

Most workers in the construction industry are not strangers to mobility. There exists within our industry a large subset of people who retain homes or families in communities across the country, but who routinely work elsewhere in the country. In *Working Local, A Study of Labour Mobility in Canada's Industrial Construction Sector*, the CSC demonstrated that nearly 70 percent of the more than 1,200 workers surveyed had travelled within Canada to find new work at one point in their careers. Most said they would entertain moves to other parts of the country for financial reasons, or if those were the only opportunities available to them. Respondents indicated that the cost to relocate was the second largest impediment to working mobile.[v]

Figures compiled on behalf of the Building and Construction Trades Department of the AFL-CIO suggest that the average mobile worker spends approximately $3,500 of his or her own money to temporarily relocate.[vi] Because this cost is seldom reimbursed to the worker by his or her employer, it represents a significant barrier to the appeal of working mobile.

### THE SOLUTION

The best solution to construction's labour supply and allocation challenges is a labour-mobility tax credit that enables mobile workers to deduct the costs of expenses incurred for employment purposes—such as travel, meals and lodging—less any money paid by the employer for these purposes. Doing so would remove one of the largest stated barriers to labour mobility and pave the road for workers to move more freely between regions of the country where their skills are in most demand.

We propose, therefore, that the Government of Canada adopt a labour-mobility tax credit similar to the one proposed in Private Member's Bill C-201 on a trial basis through 2015.

Based on datasets created by CSC in its *Construction Looking Forward* report, eligibility for the labour-mobility tax credit should be assigned in trades and regions of the country where labour shortages are most acute. For the purposes of this report, we recommend that regions and trades identified by the CSC as scoring 4 out of 5 and 5 out of 5 for notable shortage as priority areas.

4. Workers meeting employer qualifications are generally not available in local and adjacent markets to meet any increase. Employers will need to compete to attract additional workers. Recruiting and mobility may extend beyond traditional sources and practices.

5. Needed workers meeting employer qualifications are not available in local or adjacent markets to meet current demand so that projects or production may be delayed or deferred. There is excess demand, competition is intense and recruiting reaches to remote markets.[vii]

**THE OPPORTUNITY**

The Government of Canada has shown great leadership during difficult economic times. Through a series of measures aimed at sparking competitiveness and streamlining legislation, you have invigorated the construction industry and its small-business employers at times in which this industry needed the most support. More than this, you have demonstrated a strong commitment to the industry's workers—the members of the Building and Construction Trades Department of the AFL-CIO.

Now is the time to build on this momentum. The Government of Canada must amend sections of the *Income Tax Act* to reflect the unique nature of construction's work arrangements and introduce a tax credit for those workers who are prepared to disrupt their lives and those of their loved ones to fill this important industry's worker shortages.

**THE PAYBACK**

Our proposal for a labour-mobility tax credit makes eminent business sense for the Government of Canada. Introduced in Budget 2012, we expect that a three- or four-year pilot project to test this initiative will yield significant benefits for workers, employers and government alike.

Workers will benefit from a reduction in their temporary relocation costs
and a reduction in time spent unemployed.

Employers will benefit from access to larger pools of qualified workers, and reduced costs relating to participation in programs such as the Temporary Foreign Worker program.

In exchange for modest, short-term per-worker losses of tax revenues, the Government of Canada will benefit from increased long-term income-tax revenues and reduced dependence on costly social programs.

The data in the following scenario demonstrates how a labour-mobility tax credit will yield a return on the government's investment of nearly 5:1.

# BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Bill C-227 Projections

Assumptions effective June 23, 2010

**Scenario #2**
**Adopted in New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

| | | | Per worker | Total | |
|---|---|---|---|---|---|
| Total number of construction industry participants (Note 3) | | | | 80,000 | |
| Affected workforce (Note 2) | | | | 10% | |
| Number of eligible travelling skilled trades workers | | | | 8,000 | |
| Annual eligible travel expenditures (Note 2) | | $ | 3,500 | 28,000,000 | |
| Tax credit (Note 2) | | | 15% | 15% | |
| Total projected implementation cost | | | (525) | (4,200,000) | A |
| Projected savings in EI benefits paid per trades worker (Note 3) | | | 1,572 | 12,576,000 | |
| Marginal federal tax paid on EI benefits (Note 3) | 22.00% | | 346 | 2,768,000 | |
| After tax savings | | | 1,226 | 9,808,000 | B |
| Average weekly construction earnings (Note 3) | | | 1,050 | 8,400,000 | |
| Number of weeks unemployed during the year (Note 3) | | | 6 | 6 | |
| | | | 6,300 | 50,400,000 | |
| Marginal federal tax rate | | | 22.00% | 22.00% | |
| Additional tax revenue due to employment | | | 1,386 | 11,088,000 | C |
| Net savings (cost) of implementation | | $ | 2,087 | 16,696,000 | (A+B+C) |

See Notes 5 and 6 demonstrating the sensitivity to the total projected implementation cost (Line A) and net savings (cost) of implementation (Line A+B+C), respectively, due to changes in percentage participation and annual eligible travel expenditures.

*Please Note: Further detailed projections are included in the Audit of Projections appendix of this submission.*

## Tools to monitor compliance and measure success

If the labour-mobility tax credit is to successfully entice construction workers to seek work outside of their home jurisdictions, its implementation must be closely monitored. The Building and Construction Trades Department of the AFL-CIO recommends a number of tools to gauge the pilot program's quantitative success (to monitor compliance) and its qualitative success (measure its success).

### MEASUREMENTS OF QUANTITATIVE SUCCESS

1. *Through reporting statistics provided by the Canada Revenue Agency.*
   The adoption of current tax programs can be measured by compiling information gained through Canadians' T1 forms.

2. *Through Employment Insurance program monitoring in target markets.*
   Measurement between periods will show (barring any major macro-employment improvements) a decreased reliance on the EI program. We anticipate that the average duration of any unemployment periods among pilot participants will also decrease.

3. *Through reduced use of the Temporary Foreign Worker (TFW) program in pilot-program markets.*
   HRSDC and Citizenship and Immigration Canada monitor and measure labour market opinions that will be fundamental to measuring the success of this program. Labour-market demand for TFWs will decline as the pilot ages and more Canadian workers are encouraged to move to new regions.

4. *Through a CSC-based monitoring initiative.*
   The CSC will assume responsibility for matching program use and program need. Because it monitors construction labour-market data, the council is an obvious choice to monitor the uptake of such an initiative.

5. *Through the horizontal monitoring of associated programs.*
   The Treasury Board Secretariat maintains a number of initiatives to measure or monitor the use of key government-administered programs. As the labour-mobility pilot ages, the costs to run associated programs (such as the TFW program) will decrease.

### MEASUREMENTS OF QUALITATIVE SUCCESS

1. *Through surveys of participating employers*
   The labour-mobility tax credit will provide employers with access to a larger pool of highly trained, skilled workers. Therefore, the feedback of construction employers will be essential to monitoring this program's success.

   Employer surveys will make companies aware of the fact that workers on their projects benefitted from the labour-mobility tax credit. The survey will ask employers to gauge the extent to which they believe the tax credit contributed to workforce planning and supply.

2. *Through surveys of tax-benefit recipients.*
   The main beneficiaries of the labour-mobility tax credit will be individual workers. The data gathered from surveys of workers who participate in this program will therefore be essential to the program's further development.

**Legislative background**

The notion of a labour-mobility tax credit has been proposed to government before.

In early 2006 Chris Charlton, the Member for Hamilton-Mountain, introduced the Private Member's Bill C-227 (that has since been reintroduced in Parliament as Bill C-201). It is on this piece of legislation that our submission is based.

In April 2008, the Standing Committee of Human Resources, Social Development and the Status of Persons with Disabilities recommended that the federal government:

1. examine the moving expenses provision of the *Income Tax Act* with a view to extending this provision to individuals who must leave their principal residence to work on a temporary basis, provided their primary residence is retained; and

2. provide funding to assist individuals who agree to relocate to enter employment in occupations experiencing skills shortages.[viii]

It is with some disappointment that we report that the government has ignored both previous attempts at tax reform. Since the time during which this bill received first reading in the House of Commons however, the Member for Hamilton-Mountain has agreed to withdraw her bill and allow the government to create its own similar legislation in an effort to remove any perception of political partisanship.

## Conclusion

The Government of Canada has continually demonstrated a high degree of leadership and foresight as its actions pertain to supporting industries and the broader economy in times of crisis. Time and again, this government has come to the assistance of small businesses and construction companies, offering solutions that stimulate growth, encourage innovation and reduce administrative burdens.

As we move forward into the middle years of this decade, construction again faces a crisis. Acute worker shortages threaten to derail the excellent work the government has encouraged through its stimulus programs. If construction companies across Canada are unable to recruit tens of thousands of new workers in each of the next ten years, the businesses that literally build this nation will be unable to continue to do so. Productivity countrywide will suffer as a result.

A partial solution to alleviating industry-wide regional labour shortages exists, however. By enacting a new tax-credit program that enables mobile construction workers to deduct the costs of their travel expenses from their income taxes, the government can encourage construction workers to fill regional employment gaps and sustain construction's performance as Canada's largest private-sector industry. In doing so, the government will not only keep construction working during a time of need, but also collect additional income-tax revenues and lessen workers' and employers' dependences on costly programs such as EI and the TFW program.

A labour-mobility tax credit pilot program makes eminent sense for workers, employers and government alike. The Canadian Building Trades urges this government to introduce such a measure in the 2012 federal budget.

*Assumptions in attached Financial Scenarios -10% of the construction workforce in any geographic area travels more than 80km from principal residence to obtain employment six weeks of the calendar year -$3,500 is the average annual expense a skilled tradesperson incurs to obtain employment that is not reimbursed by the employer*
*(1 flight at 1,000, 4 vehicle trips at 300Km=1,200 km @.51/km = $612, 10 hotel nights at 88/night = $880) -the propensity to work is greater than the propensity to collect EI during those six weeks of unemployment -any tax benefit received from a pilot project would be in the form of a tax credit at 15% of any eligible monies spent -Figures which outline provincial employment by industry were obtained from Statistics Canada and the Construction Sector Council:*

## References

i *Construction Looking Forward: An Assessment of Construction Labour Markets from 2011 to 2019*. Construction Sector Council. P.14.

ii *ibid.*

iii *Construction Looking Forward,* p.19-20.

iv *Construction Looking Forward,* p.14.

v *Working Local: A Study of Labour Mobility in Canada's Industrial Construction Sector.* Construction Sector Council. 2007. P.7-8.

vi For a detailed description of these costs, see "Key Assumptions" in the Appendix to this submission.

vii *Construction Looking Forward,* p.18.

viii *Employability in Canada: Preparing for the Future. Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities.* http://www2.parl.gc.ca/CommitteeBusiness/StudyActivityHome.aspx?Cmte=HUMA&Language=E&Mode=1&Parl=39&Ses=2&Stac=2219738 Retrieved August 4, 2011

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Audit of projections relating to Bill C-227 for

# BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

June 23, 2010

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July 8, 2010

# AUDITORS' REPORT

To the Canadian Executive Board of
The Building and Construction Trades Department AFL-CIO

The accompanying projections of the cost and savings of implementing Bill C-227 under different scenarios, as presented by the Building and Construction Trades Department, AFL-CIO ("BCTD"), have been prepared using assumptions, including the hypothesis set out in Note 2, with an effective date of June 23, 2010.

Since a hypothesis need not be supported, our procedures with respect to it were limited to evaluating whether it was consistent with the purpose of this projection as described in Note 1. We have also examined the support provided by the BCTD for the other assumptions, and the preparation and presentation of the projections. Our examination was made in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the projections included in this report are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the assumptions and disclosures included in this report. An audit also includes assessing the accounting principals used and significant estimates made by the BCTD, as well as evaluating the overall presentation of the financial projections. We have no responsibility to update this report for events and circumstances occurring after the date of the report.
In our opinion:
-the hypothesis is consistent with the purpose of these projections;
-as at the date of this report, the assumptions developed by the BCTD are suitably supported and consistent with the plans of the BCTD, and provide a reasonable basis for the projections;
-these projections comply with the presentation and disclosure standards established by The Canadian Institute of Chartered Accountants.

Since these projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypothesis occurs, and the variations may be material. Accordingly, we express no opinion as to whether these projections will be achieved.

HENDRY WARREN LLP
Chartered Accountants
Licensed Public Accountants
Ottawa, Ontario

# BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Bill C-227 Projections

Assumptions effective June 23, 2010

**Scenario #1**
**Canada wide construction industry participation**

| | | | Per worker | Total | |
|---|---|---|---|---|---|
| Total number of construction industry participants (Note 3) | | | | 1,200,000 | |
| Affected workforce (Note 2) | | | | 10% | |
| Number of eligible travelling skilled trades workers | | | | 120,000 | |
| | | | | | |
| Annual eligible travel expenditures (Note 2) | | $ | 3,500 | 420,000,000 | |
| Tax credit (Note 2) | | | 15% | 15% | |
| Total projected implementation cost | | | (525) | (63,000,000) | A |
| | | | | | |
| Projected savings in EI benefits paid per trades worker (Note 3) | | | 1,572 | 188,640,000 | |
| Marginal federal tax paid on EI benefits (Note 3) | 22.00% | | 346 | 41,520,000 | |
| After tax savings | | | 1,226 | 147,120,000 | B |
| | | | | | |
| Average weekly construction earnings (Note 3) | | | 1,050 | 126,000,000 | |
| Number of weeks unemployed during the year (Note 3) | | | 6 | 6 | |
| | | | 6,300 | 756,000,000 | |
| Marginal federal tax rate (Note 3) | | | 22.00% | 22.00% | |
| Additional tax revenue due to employment | | | 1,386 | 166,320,000 | C |
| | | | | | |
| Net savings (cost) of implementation | | $ | 2,087 | 250,440,000 | (A+B+C) |

See Notes 5 and 6 demonstrating the sensitivity to the total projected implementation cost (Line A) and net savings (cost) of implementation (Line A+B+C), respectively, due to changes in percentage participation and annual eligible travel expenditures.

# BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Bill C-227 Projections

Assumptions effective June 23, 2010

**Scenario #2**

**Adopted in New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

| | | | Per worker | Total | |
|---|---|---|---|---|---|
| Total number of construction industry participants (Note 3) | | | | 80,000 | |
| Affected workforce (Note 2) | | | | 10% | |
| Number of eligible travelling skilled trades workers | | | | 8,000 | |
| | | | | | |
| Annual eligible travel expenditures (Note 2) | | $ | 3,500 | 28,000,000 | |
| Tax credit (Note 2) | | | 15% | 15% | |
| Total projected implementation cost | | | (525) | (4,200,000) | A |
| | | | | | |
| Projected savings in EI benefits paid per trades worker (Note 3) | | | 1,572 | 12,576,000 | |
| Marginal federal tax paid on EI benefits (Note 3) | 22.00% | | 346 | 2,768,000 | |
| After tax savings | | | 1,226 | 9,808,000 | B |
| | | | | | |
| Average weekly construction earnings (Note 3) | | | 1,050 | 8,400,000 | |
| Number of weeks unemployed during the year (Note 3) | | | 6 | 6 | |
| | | | 6,300 | 50,400,000 | |
| Marginal federal tax rate | | | 22.00% | 22.00% | |
| Additional tax revenue due to employment | | | 1,386 | 11,088,000 | C |
| | | | | | |
| Net savings (cost) of implementation | | $ | 2,087 | 16,696,000 | (A+B+C) |

See Notes 5 and 6 demonstrating the sensitivity to the total projected implementation cost (Line A) and net savings (cost) of implementation (Line A+B+C), respectively, due to changes in percentage participation and annual eligible travel expenditures.

## BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Bill C-227 Projections

Assumptions effective June 23, 2010

**Scenario #3**
**Adopted in Ontario, Quebec, New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

| | | | Per worker | | Total | |
|---|---|---|---|---|---|---|
| Total number of construction industry participants (Note 3) | | | | | 750,000 | |
| Affected workforce (Note 2) | | | | | 10% | |
| Number of eligible travelling skilled trades workers | | | | | 75,000 | |
| | | | | | | |
| Annual eligible travel expenditures (Note 2) | | $ | 3,500 | | 262,500,000 | |
| Tax credit (Note 2) | | | 15% | | 15% | |
| Total projected implementation cost | | | (525) | | (39,375,000) | A |
| | | | | | | |
| Projected savings in EI benefits paid per trades worker (Note 3) | | | 1,572 | | 117,900,000 | |
| Marginal federal tax paid on EI benefits (Note 3) | 22.00% | | 346 | | 25,950,000 | |
| After tax savings | | | 1,226 | | 91,950,000 | B |
| | | | | | | |
| Average weekly construction earnings (Note 3) | | $ | 1,050 | | 78,750,000 | |
| Number of weeks unemployed during the year (Note 3) | | | 6 | | 6 | |
| | | $ | 6,300 | $ | 472,500,000 | |
| Marginal federal tax rate (Note 3) | | | 22.00% | | 22.00% | |
| Additional tax revenue due to employment | | $ | 1,386 | $ | 103,950,000 | C |
| | | | | | | |
| Net savings (cost) of implementation | | | 2,087 | | 156,525,000 | (A+B+C) |

See Notes 5 and 6 demonstrating the sensitivity to the total projected implementation cost (Line A) and net savings (cost) of implementation (Line A+B+C), respectively, due to changes in percentage participation and annual eligible travel expenditures.

# BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Bill C-227 Projections

Assumptions effective June 23, 2010

**Scenario #4**
**Adopted in Quebec, New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

| | | | Per worker | | Total | |
|---|---|---|---|---|---|---|
| Total number of construction industry participants (Note 3) | | | | | 317,000 | |
| Affected workforce (Note 2) | | | | | 10% | |
| Number of eligible travelling skilled trades workers | | | | | 31,700 | |
| | | | | | | |
| Annual eligible travel expenditures (Note 2) | | $ | 3,500 | | 110,950,000 | |
| Tax credit (Note 2) | | | 15% | | 15% | |
| Total projected implementation cost | | | (525) | | (16,642,500) | A |
| | | | | | | |
| Projected savings in EI benefits paid per trades worker (Note 3) | | | 1,572 | | 49,832,400 | |
| Marginal federal tax paid on EI benefits (Note 3) | 22.00% | | 346 | | 10,968,200 | |
| After tax savings | | | 1,226 | | 38,864,200 | B |
| | | | | | | |
| Average weekly construction earnings (Note 3) | | $ | 1,050 | | 33,285,000 | |
| Number of weeks unemployed during the year (Note 3) | | | 6 | | 6 | |
| | | $ | 6,300 | $ | 199,710,000 | |
| Marginal federal tax rate (Note 3) | | | 22.00% | | 22.00% | |
| Additional tax revenue due to employment | | $ | 1,386 | $ | 43,936,200 | C |
| | | | | | | |
| Net savings (cost) of implementation | | | 2,087 | | 66,157,900 | (A+B+C) |

See Notes 5 and 6 demonstrating the sensitivity to the total projected implementation cost (Line A) and net savings (cost) of implementation (Line A+B+C), respectively, due to changes in percentage participation and annual eligible travel expenditures.

## 1. Purpose

The purpose of these projections is to demonstrate the estimated cost of implementation and estimated net savings of a pilot project undertaken by the Government of Canada. This pilot project would provide tax incentives for the mobility of skilled trades workers in various parts of Canada. It is anticipated this pilot program will be part of Budget 2011. The total projected implementation cost consists of the lost tax revenue from providing the 15% tax credit (Line A). The savings from implementation consists of employment insurance (EI) savings (Line B) and increased tax revenue as a result of increased employment during the year (Line C). The total of these figures (A+B+C) represent the net savings (cost) of implementation. Accordingly, these projections may not be appropriate for other purposes.

## 2. Summary of hypothesis

Bill C-227, a private member's bill, proposes that the Income Tax Act be amended to allow a taxpayer to claim a tax benefit for amounts expended in the year by the taxpayer incurred in order to secure and maintain employment. The taxpayer must be a qualified tradesperson or an indentured apprentice in a construction activity at a job site located at least 80 kilometres away from the taxpayer's ordinary place of residence. As well, the employee must have been required under the contract of employment to pay those expenses, did not receive from his or her employer an allowance in respect of those expenses, and does not claim those expenses as a deduction for the year under any other provision of the Act.

Within the spirit of Bill C-227, these projections have considered the following hypothesis:

-The tax benefit would be in the form of a tax credit at 15% of any eligible monies spent

-10% of the construction workforce in any geographic area travels more than 80 kilometres from their ordinary place of residence to obtain employment for six weeks of the year

-$3,500 is the average annual expense a skilled tradesperson incurs to obtain employment that is not reimbursed by the employer

As these figures are estimates provided by the BCTD and are not supportable, a sensitivity analysis has been provided to demonstrate the effect of changes in the hypothesis, see Notes 5 and 6.

## 3. Significant assumptions

The following assumptions have been made consistently throughout the projections and are determined to be adequately supported for the purposes of the projections:

a) The number of participants in the construction industry, as reported by Statistics Canada, April 2010 are:

| | |
|---|---|
| -Ontario | 433,000 |
| -Quebec | 237,000 |
| -New Brunswick | 28,000 |
| -Nova Scotia | 32,000 |
| -Prince Edward Island | 5,000 |
| -Newfoundland & Labrador | 15,000 |
| -Canada wide | 1,200,000 |

b) The average weekly EI benefit in construction is $393 as reported in the Monitoring and Assessment Report 2008 provided by the Canada Employment Insurance Commission. The worker draws EI for 4 weeks ($1,572) during their 6 weeks of unemployment per year;

c) The average weekly earnings in the construction industry was $1,050 in 2009, as reported by Statistics Canada;

d) The 2010 marginal federal tax rate for income earned between $40,970 and $81,941 is 22%;

e) These projections only consider the cost and benefit to the Federal government.

## 4. Future oriented financial information

Since these projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypothesis occurs, and the variations may be material.

## 5. Sensitivity analysis - projected implementation cost to the Federal government

The following tables demonstrate the sensitivity to the cost of implementation under each scenario due to changes in the hypothesis - participation of 5% to 20% and annual eligible travel expenditures of $2,500 to $4,000.

**Scenario #1**
**Canada wide construction industry participation**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | (22,500,000) | (27,000,000) | (31,500,000) | (36,000,000) |
| 10% | (45,000,000) | (54,000,000) | (63,000,000) | (72,000,000) |
| 15% | (67,500,000) | (81,000,000) | (94,500,000) | (108,000,000) |
| 20% | (90,000,000) | (108,000,000) | (126,000,000) | (144,000,000) |

**Scenario #2**
**Adopted in New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | (1,500,000) | (1,800,000) | (2,100,000) | (2,400,000) |
| 10% | (3,000,000) | (3,600,000) | (4,200,000) | (4,800,000) |
| 15% | (4,500,000) | (5,400,000) | (6,300,000) | (7,200,000) |
| 20% | (6,000,000) | (7,200,000) | (8,400,000) | (9,600,000) |

**Scenario #3**
**Adopted in Ontario, Quebec, New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | (14,062,500) | (16,875,000) | (19,687,500) | (22,500,000) |
| 10% | (28,125,000) | (33,750,000) | (39,375,000) | (45,000,000) |
| 15% | (42,187,500) | (50,625,000) | (59,062,500) | (67,500,000) |
| 20% | (56,250,000) | (67,500,000) | (78,750,000) | (90,000,000) |

**Scenario #4**
**Adopted in Quebec, New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | (5,943,750) | (7,132,500) | (8,321,250) | (9,510,000) |
| 10% | (11,887,500) | (14,265,000) | (16,642,500) | (19,020,000) |
| 15% | (17,831,250) | (21,397,500) | (24,963,750) | (28,530,000) |
| 20% | (23,775,000) | (28,530,000) | (33,285,000) | (38,040,000) |

## 6. Sensitivity analysis - net savings (cost) to the Federal government

The following tables demonstrate the sensitivity to the net savings (cost) of implementation under each scenario due to changes in the hypothesis - participation of 5% to 20% and annual eligible travel expenditures of $2,500 to $4,000.

**Scenario #1**
**Canada wide construction industry participation**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | 134,220,000 | 129,720,000 | 125,220,000 | 120,720,000 |
| 10% | 268,440,000 | 259,440,000 | 250,440,000 | 241,440,000 |
| 15% | 402,660,000 | 389,160,000 | 375,660,000 | 362,160,000 |
| 20% | 536,880,000 | 518,880,000 | 500,880,000 | 482,880,000 |

**Scenario #2**
**Adopted in New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | 8,948,000 | 8,648,000 | 8,348,000 | 8,048,000 |
| 10% | 17,896,000 | 17,296,000 | 16,696,000 | 16,096,000 |
| 15% | 26,844,000 | 25,944,000 | 25,044,000 | 24,144,000 |
| 20% | 35,792,000 | 34,592,000 | 33,392,000 | 32,192,000 |

**Scenario #3**
**Adopted in Ontario, Quebec, New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | 83,887,500 | 81,075,000 | 78,262,500 | 75,450,000 |
| 10% | 167,775,000 | 162,150,000 | 156,525,000 | 150,900,000 |
| 15% | 251,662,500 | 243,225,000 | 234,787,500 | 226,350,000 |
| 20% | 335,550,000 | 324,300,000 | 313,050,000 | 301,800,000 |

**Scenario #4**
**Adopted in Quebec, New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island**

Annual eligible travel expenditures

| % Participation | $2,500 | $3,000 | $3,500 | $4,000 |
|---|---|---|---|---|
| 5% | 35,456,450 | 34,267,700 | 33,078,950 | 31,890,200 |
| 10% | 70,912,900 | 68,535,400 | 66,157,900 | 63,780,400 |
| 15% | 106,369,350 | 102,803,100 | 99,236,850 | 95,670,600 |
| 20% | 141,825,800 | 137,070,800 | 132,315,800 | 127,560,800 |