

July 26, 2019

Jennifer Fraser
Director, Trans-Canada Highway 1 Program
Ministry of Transportation and Infrastructure
447 Columbia Street
Kamloops, B.C. V2C 2T3
Delivered by email: Jennifer.fraser@gov.bc.ca

Dear Ms. Fraser,

Re: Budgeting process for the Highway No. 1 at Illecillewaet project

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

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

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

We wrote to Premier Horgan and Minister Trevena on May 25, 2019, after the construction contract for the Illecillewaet project was awarded, to seek clarity regarding the 143% project budget increase between August 2015 and May 2019, as well as the extent to which the CBA contributed to the budget escalation.

Minister Trevena, in responding to our letter, noted that a modified scope and changing market conditions impacted the project budget. Specifically, additional engineering and geotechnical investigations led to design modifications and, in addition to the impact of the skilled labour shortage on the cost of labour, an increasingly heated construction market increased the costs for materials.

Notwithstanding the above, the minister did not provide a specific explanation for the dramatic project budget increase and suggested we liaise with you directly.

Based on information provided via earlier government commentary as well as in the minister's letter to us, we have taken the opportunity to develop the table below that sets out what appear to be the key components of the project budget escalation over two specific time periods. As follows:

Project budget escalation due to:

<i>Period</i>	<i>Project budget escalation (\$million/% increase)</i>	<i>Materials (mkt. conditions)</i>	<i>Scope (design modifications)</i>	<i>Skilled labour (mkt. conditions)</i>	<i>Skilled labour (CBA *)</i>
Aug 2015-Feb 2019 (from \$35m to \$62.9m)	27.9 (80%)				
Feb 2019-May 2019 (from \$62.9m to \$85.2m)	22.3 (35%)				
TOTAL project budget escalation (from \$35m to \$85.2m)	50.2 (143%)				

**the provincial government's Community Benefits Agreement*

We draw your attention to the shaded columns in the table that relate to the materials, change in scope and cost of labour on the project and, per the minister's recommendation, respectfully request a detailed breakdown of the cost increases in the three categories over the two time periods.

Please use or amend the table if it is helpful, or provide the information requested in a format of your choice.

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

Regards,



Fiona Famulak
President



Jason Glue
Chair, 2019-20 Board of Directors

cc.

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

Irene Kerr, President and CEO BC Infrastructure Benefits Inc. (ikerr@bcib.ca)