



Pre-budget Submission for the 2023 Federal Budget

Presented to:

**The House of Commons Standing Committee
on Finance**

Presented by:

The Mechanical Contractors Association of Canada

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The Canadian Institute of Plumbing and Heating

October 2022

CIPH AND MCAC RECOMMEND:

1. **That the federal government invest in attracting workers to skilled trades essential to Canada’s carbon transition**—especially the mechanical trades—to ensure current and future labour market challenges are weathered.
 - a. We recommend doubling the annual maximum tax credit per apprentice in the Apprenticeship Job Creation Tax Credit from \$2,000 to \$4,000.
 - b. We recommend doubling the annual amount of the Apprenticeship Incentive Grant to \$2,000 per year or level, and the lifetime amount to \$4,000 per person.
 - c. We recommend doubling the annual amount of the Apprenticeship Incentive Grant for Women to \$6,000 per year or level, and the lifetime amount to \$12,000 per person.

2. **That the federal government launch a promotion plan that identifies certain skilled trades, including the mechanical trades, as green jobs essential to Canada’s carbon transition.**
 - a. The plan should include at least \$3 million in paid advertising annually over the next five years.
 - b. The plan should include \$500,000 for professional organizations in the mechanical sector, including MCAC, to develop a toolkit for contractors to use in their marketing and promotion efforts to potential workers in the mechanical sector.
 - c. Toolkits would also be shared with advisors in the education sector, including career counsellors, guidance counsellors and teachers in high schools to better provide advice about the potential of careers in the skilled trades.

3. **That the federal government invest in technology development programs for mechanical systems**, including systems that heat and cool buildings using water, to ensure the sector is ready to meet market demands of future improvements to building codes and product standards.

WHO WE ARE

ABOUT CIPH

Founded in Montreal in 1933, the CIPH is a not-for-profit trade association that is committed to providing members with the tools for success in today's competitive environment. More than 283 companies are members of this influential Canadian industry association. They are the manufacturers, wholesaler distributors, master distributors, manufacturers' agents, and allied companies who manufacture and distribute plumbing, heating, hydronic, industrial PVF, and waterworks, and other mechanical products. CIPH wholesalers operate more than 800 warehouses and showrooms across Canada. Total industry sales exceed \$9 billion annually and CIPH members have more than 20,000 employees from coast to coast.

ABOUT MCAC

The Mechanical Contractors Association of Canada (MCAC) is a national, non-profit federation of autonomous provincial associations working for the betterment and advancement of the trade and mechanical contracting industry in Canada. Established in 1895, MCAC is a vibrant and diverse national association serving the needs of mechanical contractors of all sizes engaged in such disciplines as plumbing, heating, ventilation, air conditioning, controls systems, medical gases, welding, and fire suppression primarily within the industrial, commercial and institutional sectors. With offices in each province and 15 regional offices in Ontario, the MCAC is Canada's largest trade contractor Association.

INTRODUCTION

Canada is not ready to make the necessary transition to achieve net-zero carbon emissions by 2050.

The country's long-term objectives depend on successfully reaching short-term milestones. Those short-term milestones are in jeopardy, especially in the construction sector, because labour market pressures have yet to be addressed.

Market transformation initiatives have begun, but the pace of change needed is rapid and all participants in the sector from manufacturers to contractors to consultants to tradespeople to customers need to better understand the goals and pathways to sustainability that the government envisions.

This submission recommends key investments in the near term that the federal government must make to ensure greater ease of transition. These changes will bring more people to the skilled trades—especially in green jobs—and ensure sustainability for businesses that must succeed for Canada's plan for more green buildings to succeed.

DEFINING THE PROBLEM

- **Canada is experiencing a shortage of skilled trades workers.**
- **Institutional, industrial and commercial project owners will demand more energy-efficient buildings for decades to come as new codes, standards and incentives fuel the push for net-zero emissions from buildings in Canada.**
- **More retrofits will be required over the coming years to improve the efficiency of existing building stock.**
- **Without attracting more skilled tradespeople now, it will be very difficult to support apprenticeship ratios in the future when demand grows further.**
- **Product manufacturers and distributors are facing disjointed demands across our national borders, provincial borders, and even in different large cities.**
- **Regulatory fragmentation and a lack of available labour will continue to drive construction costs higher if nothing is done to address these concerns.**

CONSEQUENCES

Emissions from Canada's building sector are continuing to rise. Addressing this increase in emissions will create business opportunities for many companies in the mechanical, plumbing and heating sector, as long as the transition to net-zero is appropriately managed.

Canada's built environment includes almost 16.5 million buildings between homes and public and commercial buildings. These buildings are responsible for 18% of Canada's GHG emissions. To meet the net-zero goals set by the federal government product manufacturers, distributors and wholesalers, and trade contractors in our sector will need to successfully navigate a rapidly transforming market.

To date, the government's ambitious plans for reductions have defined many desired outcomes. The businesses our organizations represent will be integral to meeting these outcomes. We also need to be able to effectively educate customers and cost-effectively deliver products to market to succeed. We cannot succeed without a clear roadmap to anticipate this transition across product categories, or without more skilled workers in our sector.

Nearly 80% of building emissions come from heating spaces and water. Adapting to systems that use cleaner fuels and run more efficiently requires a rapid increase in efficiency of new builds, and a long-term strategy to perform deep retrofits on Canada's existing building stock.

SOLUTIONS

The federal government should be commended for taking the important step of investing in the Canada Green Buildings Strategy and defining a plan for energy efficiency in Canada's built environment over the years ahead.

The energy transition is predicted to bring millions of jobs to the Canadian economy, and \$150 billion to Canada's GDP by 2030. This anticipated growth is a strong justification for funding that will lay a foundation for long-term change.

Preparing for market demand through product innovation

Government and industry need to work together to spur product innovation. Businesses that manufacture and distribute heating and cooling systems should partner in a collaborative and coordinated approach that anticipates changes and develops products to meet future needs.

When industries do not have clear, manageable timelines with appropriate advanced notice of changes, inefficiencies slow growth and drive-up costs for businesses and customers. Our associations have a strong working relationship with regulators and we aim to deepen collaboration on product development.

We recommend that the government invest in our sector to support product research and development for greater efficiency. This will help manufacturers and distributors prepare for a

shortened code cycle that includes a national model retrofit code by 2024, which has been included in the mandate letter of the Minister of Innovation, Science and Industry.

Invest in a comprehensive plan to attract and train workers in the mechanical trades

Canada is weathering a storm of uncertainty related to inflation and affordability. Inflationary pressures and supply chain pressures have exacerbated problems in the construction sector, but the availability of skilled and appropriately assigned workers is a structural problem. That issue will not go away without a reimagining of public policy related to skilled trades training and retention.

It is widely reported that up to 700,000 workers in the skilled trades will retire over the coming years. We anticipate nearly 20% of workers in the mechanical trades will retire or be eligible to retire within the next five years. At the same time, demand for their labour is higher than ever and expected to increase.

Canada needs a plan that encourages Canadians to not only explore, but choose, apprenticeships in the mechanical trades as the starting point of their careers.

Helping new apprentices overcome financial barriers

Apprentices choose to earn while they learn. In many cases, they must also choose to forego earnings in their existing careers, or to earn less for a few years before they get their papers. While loans are available, up-front grants offer a more flexible and enticing incentive to choose an apprenticeship. At present, grants for apprentices are much less valuable than those available for student pursuing other post-secondary education.

We need to ensure that businesses and individuals are incentivized to start more apprenticeships, and that resources are available to help apprentices complete their studies and get their hours.

We recommend doubling the annual amount of the Apprenticeship Incentive Grant to \$2000 per year or level, and the lifetime amount to \$4,000 per person.

We also recommend doubling the annual amount of the Apprenticeship Incentive Grant for Women to \$6,000 per year or level, and the lifetime amount to \$12,000 per person.

Supporting businesses that invest in apprentices

Businesses that take on apprentices take on the task of training and supporting the growth of future workers. In many cases, it is more expensive to bring in new apprentices than it is to wait to bid on jobs that can be completed with the contractor's existing workforce.

We recommend doubling the annual maximum tax credit per apprentice in the Apprenticeship Job Creation Tax Credit from \$2000 to \$4000.

Promoting careers in the skilled trades—with an emphasis on mechanical trades

All skilled trades are valuable. They provide people with new skills to make them more productive and fulfilled, and all make important contributions to the economy. At the same time, some skilled trades are more aligned with Canada's need to transition to a low-carbon economy. Construction trades, and especially mechanical trades, will play a critical role in building and retrofitting the net-zero building stock of tomorrow.

Efficiency Canada estimates that it will cost between \$20 to \$32 billion per year to retrofit Canada's building stock by 2050. To land at the lower end of this range, it is important that labour costs remain manageable for consumers, which will be best achieved by promoting skilled trades training, apprenticeships, and apprenticeship completion. Our member companies cannot retain workers that are not at least first attracted to the trades and to adequately resourced college programs.

We strongly believe that many Canadians, especially youth, want to play a role in addressing the challenge of climate change, but they do not know how their careers could contribute to solutions. We believe the government has an important role to play in partnership with contractors and suppliers. Giving local businesses the tools to promote careers in the trades and in management and administrative roles that support efficient construction and retrofits is an opportunity Canada cannot afford to miss.

We recommend that the federal government launch a promotion plan that identifies certain skilled trades, including the mechanical trades, as green jobs essential to Canada's carbon transition.

- The promotional plan should include at least \$3 million in paid advertising annually over the next five years.
- The plan should include \$500,000 for professional organizations in the mechanical sector, including MCAC, to develop a toolkit for contractors to use in their marketing and promotion efforts to potential workers in the mechanical sector.
- Toolkits would also be shared with advisors in the education sector, including career counsellors, guidance counsellors and teachers in high schools to better provide advice about the potential of careers in the skilled trades.