

MEMORANDUM

TO: Hon. Peter Bethlenfalvy, MPP for Pickering—Uxbridge, Minister of Finance

FROM: Renze Nauta, Program Director, Work & Economics
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CC: Members of the Standing Committee on Finance and Economic Affairs, Ontario Legislature

DATE: January 29, 2026

SUBJECT: Ontario Budget Consultation 2026

WHO WE ARE

Cardus is a non-partisan think tank dedicated to clarifying and strengthening, through research and dialogue, the ways in which society's institutions can work together for the common good.

ISSUE

Cardus is providing recommendations for Ontario's Budget 2026. Our recommendations centre around making the bidding process for construction procurement more competitive. Increasing the number of bidders for projects has the potential to save hundreds of millions in expenditures, freeing up funds for other priorities.

BACKGROUND

Prior to 2019, some cities were designated as "construction employers" under the *Labour Relations Act*, restricting the bidding for their construction projects to firms that employed workers from the building trade unions. This limited the number of potential bidders on public procurement projects, reducing competition and pushing up prices for municipal construction.

In 2019, Bill 66, or the *Restoring Ontario's Competitiveness Act*, amended the *Labour Relations Act* to designate all Ontario municipalities as "non-construction employers".¹ Unfortunately, the City of Toronto opted out of this designation through subsection 127(5) of the *Labour Relations Act*. This decision has cost Toronto taxpayers hundreds of millions of dollars in lost savings.²

RECOMMENDATIONS

Recommendation 1: The Government of Ontario should designate the City of Toronto a "non-construction employer."

Recommendation 2: The Government of Ontario should designate all remaining Crown corporations "non-construction employers."

Recommendation 3: The Government of Ontario should not pursue additional project labour agreements for public procurement processes.

¹ Bill 66, *An Act to restore Ontario's competitiveness by amending or repealing certain Acts*, 1st Session, 42nd Legislature, 2019.

² M. Buckshot, "Toronto stands alone in remaining a 'construction employer' as other Ontario municipalities embrace Bill 66 changes", Ontario Construction Report, July 15, 2019.

<https://ontarioconstructionreport.com/toronto-stands-alone-in-remaining-a-construction-employer-as-other-ontario-municipalities-embrace-bill-66-changes/>.

RATIONALE

(1) The Government of Ontario should designate the City of Toronto a “non-construction employer.”

Cardus research estimates that Toronto taxpayers could save \$347 million every year by switching to an open tendering process in line with best practice.³ Other Ontario municipalities have already seen significant savings since switching to open tendering. For example, the Region of Waterloo saved an estimated \$24 million from 2019 to 2021 through the change.⁴ The City of Toronto is an outlier among Ontario municipalities in choosing to opt out of the changes through subsection 127(5) of the Labour Relations Act, which maintained their designation as a construction employer. Designating Toronto as a non-construction employer in Budget 2026 would enable more competition for infrastructure projects, including from bidders that are currently ineligible because of their union affiliation or lack thereof.

The potential savings are substantial. Cardus estimated in 2023 that the \$347 million saved every year could allow Toronto to improve public safety on its transit system by funding all of the following simultaneously:⁵

- Hiring up to four hundred new police officers
- Building up to two new police stations
- Funding up to four hundred new mental health case managers
- Doubling the city’s housing and shelter infrastructure-development capital budget (for emergency shelters, 24/7 warming centres, drop-in locations, and so forth).

(2) The Government of Ontario should designate all remaining Crown corporations “non-construction employers.”

The Restoring Ontario’s Competitiveness Act changed the designation of many Crown corporations to “non-construction employers”, but not all of them. Some, like Ontario Power Generation, Bruce Power, and Hydro One, still operate under restrictive tendering through the Electrical Power Systems Construction Association.⁶ These organizations stand to gain substantial savings if they were designated non-construction employers and moved to open tendering.

(3) The Government of Ontario should not pursue additional project labour agreements for public procurement processes.

Project labour agreements (PLAs) in Ontario often have the same effect as restrictive tendering. An overwhelming majority of PLAs in Ontario restrict the kinds of labour and firms available for bidding on a project. Research shows that 96 percent of the PLAs in Ontario require some form of

³ R. Nauta and J. Lewis, “Better Choices for Toronto: Finding Money in Open Tendering for Safety and Mental Health,” Cardus, 2023. <https://www.cardus.ca/research/work-economics/research-brief/better-choices-for-toronto/>.

⁴ B. Dijkema, “Bouncing Back Through Diversity: The Effects of Bill 66 on Construction Competition in the Region of Waterloo”, Cardus, 2021. <https://www.cardus.ca/research/work-economics/reports/bouncing-back-through-diversity-the-effects-of-bill-66-on-construction-competition-in-the-region-of-waterloo/>.

⁵ R. Nauta and J. Lewis, “Better Choices for Toronto”.

⁶ B. Dijkema, “Ontario Infrastructure: How to Make a Big Spend Go Further”, Cardus, 2023. <https://www.cardus.ca/research/work-economics/policy-brief/policy-brief-ontario-infrastructure/>.

mandatory membership in a labour union.⁷ Adopting PLAs for public construction procurement could restrict the labour pool from which workers can be drawn to build Ontario infrastructure. This would result in unnecessary cost overruns and slower completion of projects.

Up to now, PLAs have almost exclusively been used by the private sector. Governments and public entities have wisely avoided using them, with the notable exception of the Ottawa Hospital Civic Campus Redevelopment Project, which faces potential cost overruns as a result.⁸

Avoiding future cost overruns does not require any new action nor any new money. It simply requires the government to refrain from using PLAs for new construction projects. At most, it would require the government to indicate to Crown corporations *not* to move forward with a PLA on future construction projects.

CONTACT

We would welcome the opportunity to meet with you and assist with future considerations on this issue. Please do not hesitate to contact us at rnauta@cardus.ca.

⁷ R. Nauta, "Watch Your Step: PLAs and the Risks to Competitive Bidding in Ontario", Cardus, 2025. <https://www.cardus.ca/research/work-economics/research-brief/watch-your-step/>.

⁸ M. Ouellette and M. L. Shaw, "How to Reduce Construction Costs in Ontario: Modernizing the Construction Industry," Montreal Economic Institute, February 2022, <https://www.iedm.org/how-to-reduce-construction-costs-in-ontario-modernizing-the-construction-industry/>.