



Top Contractors discuss opportunities and challenges
in the Canadian construction industry.



What makes the Canadian construction industry unique? What are the major opportunities and challenges? What makes a leader successful in this environment? We approached some of Canada's leading construction authorities for the answers.

We started out with Michael Atkinson, president, Canadian Construction Association.

What makes the Canadian industry unique?

"There is a real respect for openness and transparency in the Canadian market, not just in the public sector, but even in the private sector," he says. "There is an understanding that it is an open competition. It is as fair as possible... I think that even foreign governments would point that out."

"A whole jurisprudence has been built up around construction tendering in Canada. It's the notion that when you respond by putting in a bid in response to an owner's call that a relationship exists right then and there."

Another factor is the deep respect our public-sector clients have for the trade agreements they enter into. Tendering must comply with international trade agreements.

Safety is another characteristic. "I'd say that the outside world is impressed with the high priority we place on safety. When you stack our safety practices up against those in other parts of the world, we are in pretty good standing," says Atkinson.

Canadian contractors are more innovative than perhaps they get credit for, he says. "If you compare our industry with other, international construction industries, I think we are as innovative as they come... Competition is intense and margins are thin. You have to be innovative to distinguish yourself from the competition."

The industry is flush with opportunity. "The size and complexity of some of our infrastructure projects is number one. There is a growing → page 20

OH, CANADA— OPPORTUNITIES AND CHALLENGES IN THE CANADIAN CONSTRUCTION INDUSTRY

BY JIM BARNES

WE ASK SOME OF
CANADA'S LEADING
CONTRACTORS HOW
TO SUCCEED IN
THIS MARKET

TOP 40 CANADIAN CONTRACTORS

RANK	COMPANY	REVENUE
1.	PCL Construction	\$6,900,000,000.00
2.	EllisDon Corp.	\$3,105,000,000.00
3.	Aecon Group Inc.	\$2,946,800,000.00
4.	Graham	\$2,200,000,000.00
5.	Bird Construction	\$1,455,000,000.00
6.	Pomerleau Inc.	\$1,418,100,000.00
7.	The Churchill Corp.	\$1,222,056,000.00
8.	North American Construction Group	\$800,000,000.00
9.	Stuart Olson Dominion Construction Ltd.	\$692,000,000.00
10.	Bondfield Construction Company Ltd.	\$685,000,000.00
11.	Carillion	\$600,000,000.00
12.	Flynn Canada Ltd.	\$450,000,000.00
13.	Transelec Common Inc.	\$385,800,000.00
14.	Taggart Group of Companies	\$328,000,000.00
15.	Pennecon Limited	\$314,676,411.00
16.	Maple Reinders Group Ltd.	\$304,614,000.00
17.	The State Group Inc.	\$268,000,000.00
18.	Con-Drain Company (1983) Ltd.	\$262,000,000.00
19.	CVTech Group Inc.	\$249,201,000.00
20.	Scott Builders Inc.	\$222,084,055.00
21.	Giffels Westpro	\$212,717,557.00
22.	Mansfield Construction	\$210,000,000.00
23.	AXIOM BUILDERS	\$200,000,000.00
24.	Buttcon Ltd.	\$173,000,000.00
25.	Mady Contract Division Ltd.	\$167,000,000.00
26.	Delnor Construction Ltd	\$155,255,941.00
27.	Avondale Construction Ltd.	\$146,000,000.00
28.	Walsh Canada	\$145,000,000.00
29.	Marco Group	\$135,000,000.00
30.	Lindsay Construction	\$125,000,000.00
31.	McKay-Cocker	\$123,600,000.00
32.	Bot Construction Group	\$101,000,000.00
33.	Metro-Can Construction Ltd.	\$100,000,000.00
34.	Alberici Constructors, Ltd.	\$98,000,000.00
35.	Elan Construction Ltd.	\$77,000,000.00
36.	Sprague-Rosser Contracting Co. Ltd.	\$74,000,000.00
37.	Harbridge and Cross Ltd.	\$73,000,000.00
38.	Wales McLelland Construction	\$70,000,000.00
39.	Gracan Construction Ltd.,	\$67,800,000.00
40.	Westridge Construction Ltd.	\$63,284,384.00

Based on written responses to research conducted by *On-Site*.
Some contractors declined to participate in this research.



number of projects valued at \$1 billion or more,” notes Atkinson.

The infrastructure deficit and the resource sector are well-known opportunities. “Demographics is a major factor. Canada is now bringing in close to a quarter of a million immigrants every year. That’s the kind of demand our infrastructure has to keep pace with.”

Developing Canada’s North as it becomes more accessible is going to create a huge appetite for bigger and more complex projects, he adds.

However, “All those projects are going to create bigger demands and the way owners

want to see those projects delivered is going to change as well,” he says.

“Owners are facing the same capacity problems we are. Do they have enough qualified people to run these projects? The government is facing huge fiscal pressure. In addition, they have a huge backlog of infrastructure work that needs to be done, both new and maintenance.

We asked Atkinson what makes a manager successful in this environment.

“Successful firms understand that as their clients change, their challenges change — and that they, too, have to change... When a client says it wants to go to full life-cycle cost projects, that it wants to look at new technologies like building information modeling or integrated project delivery, then the successful contractor will be ready to respond. They have to be more flexible, adaptive and nimble than they have been in the past.”

We turned to managers from some of Canada’s Top Contractors with the same questions. What makes the Canadian market different? What are the major opportunities and challenges? What makes for a successful leader?



EXPECTATION FOR BUSINESS AREAS

	2013			2014		
	Same	Increase	Decrease	Same	Increase	Decrease
Commercial buildings	44%	49%	8%	43%	53%	4%
Industrial buildings	53%	39%	8%	47%	49%	5%
Institutional buildings	48%	39%	13%	46%	45%	8%
Residential construction: houses	45%	40%	15%	42%	47%	11%
Residential construction: multi-unit	46%	42%	12%	40%	45%	15%
Bridges	43%	45%	12%	61%	34%	5%
Communication engineering	64%	29%	7%	60%	36%	4%
Electric power/utilities	43%	43%	14%	50%	42%	8%
Environmental remediation	41%	44%	15%	55%	42%	3%
Marine-related construction	67%	21%	13%	58%	36%	7%
Mining-related construction	50%	44%	6%	46%	51%	3%
Oil and gas-related construction	51%	45%	4%	47%	50%	3%
Roadbuilding	48%	45%	7%	50%	44%	7%
Other transportation construction	45%	47%	8%	55%	40%	5%
Sewage engineering construction	57%	40%	3%	64%	32%	4%
Waterworks engineering construction	58%	39%	3%	57%	40%	4%
Contract management	45%	53%	3%	43%	54%	3%
Demolition	57%	35%	8%	52%	40%	8%
Design/build	38%	59%	3%	38%	61%	1%
General contracting	35%	60%	5%	33%	63%	4%
Aggregate	52%	45%	3%	47%	47%	6%
Concrete, formwork, rebar	45%	50%	5%	43%	54%	3%
Structural steel, fabricating	38%	56%	7%	33%	57%	10%

TOP CONTRACTORS

BIRD CONSTRUCTION

The market: Currently, the Canadian construction market is one of the more lucrative and active construction markets in the world, particularly compared to Europe and the US.

Opportunities: With this enhanced activity, the opportunities for construction projects should be reasonable.

Challenges: As one of the more attractive construction workplaces in the world, the Canadian market is drawing competition from other areas of the world where there is a construction downturn. This increase in competition is making it more difficult for Canadian firms to secure reasonable bookings of construction contracts and is having a negative impact on margins that this work will produce. Canadian contractors are a very talented group and should be rewarded for their stability and longevity in Canada.

Leaders: One of the most appealing skills is the ability to lead by example. While leaders need training in safety, finance, technical construction, human resources, communication skills and business development, to name a few areas, they should not ask any employee to conduct a task that they themselves would not be willing to do. Leaders should have experienced the wide range of job functions within the industry so they can understand how they relate to each other and how they impact a construction project or a construction organization. This teamwork is vital to the success of any organization or project within that organization.

— Tim Talbott, president and C.E.O.,



PCL FAMILY OF COMPANIES

The market: We are busy on all fronts — our civil/ industrial/commercial operations are busy in our markets across the country. We continue to see signs that the economy in Canada and the U.S. is recovering, which is presenting more opportunities for growth for PCL and the industry in general.

Opportunities: In addition to the strong heavy industrial sector in the West, we are seeing more work in the social and civil infrastructure marketplace along with increased activity in commercial developments across the country.

Challenges: The skills and labour shortage continues to remain a challenge. Given the volume of work that is on the table, there are simply not enough people with the skills required to fill the positions that are open.

Leaders: The skills required to be successful today are not exclusive to this particular date and time, or this market cycle. PCL supports the individual who is driven to succeed, possesses the work ethic to achieve their goals, has integrity and has built a solid reputation among clients and co-workers. In addition to those traits, managers have to develop their people and leadership skills so they can effectively manage, motivate and build successful teams.

— Rob Holmberg, executive vice president, Canadian Buildings, and director of Construction, Australia

AECON

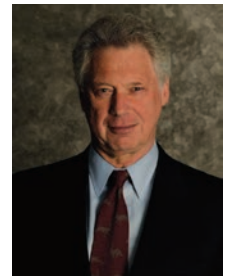
The market: Aecon is focused on the three core markets of energy, infrastructure and mining — these markets are where we see the best opportunities.

Opportunities: Speaking to the type of contracts — 40 per cent of our revenue is now coming from larger, more complex projects (such as those valued at more than \$100 million). These substantial projects require a unique blend of operational expertise and project management skills. As well, we are increasingly being chosen for large, multi-year operating and maintenance contracts, construction advisory contracts and alliance agreements.

Challenges: One is labour availability (which we are all acutely aware of in the construction industry). Another is training, which remains an ongoing, long-term priority. That is why we invest in our employees through programs such as Aecon University. Another major challenge, but also a great opportunity, is the significance of building solid relationships and partnerships for the long-term in an industry that is extraordinarily diverse, in order to mitigate risk and build on our strengths.

Leaders: Leaders need to have an eye on the ball regarding safety, project-management skills, scheduling, budget management, etc... Senior managers must be focused on profitability and operational discipline.

— John Beck, chair and C.E.O.





GRAHAM GROUP LTD.

The market: It is not a huge market, but it is quite active. The resource sector is sustainable long-term. Canada would not ordinarily attract many companies of the size that we are seeing, so that says a lot about opportunities here — both short and long-term.

Opportunities: While the resource sector has a tremendous amount of demand, you have balanced opportunity. The commercial sector is fairly strong.

There is an opportunity to take advantage of the demand for integrated service offerings in mid-sized to large projects. Owners are looking for one-stop shopping. That is pushing models like P3s.

Challenges: We are seeing larger projects, but they are very complex projects to deliver. They are far riskier for the contractor.

Contractors are not just doing construction any more. It is more of an integrated service offering. It requires people to step outside their comfort zone and think about how to provision services that they may not have previously.

Clients are demanding unconventional scopes of work. Your competitor today could be your partner tomorrow. The negotiation around teaming is becoming a significant challenge.

Leaders: The qualities that you once would have seen at a senior management level are required at the middle management level and even at the line management level today.

You tend to deal with many of the same organizations over and over and over again, so it really is about partnering and teaming. Negotiation is huge.

We are looking for people who can communicate extraordinarily well and negotiate, collaborate and influence others.

— Kim Johnson,
Chief Strategy
Officer and Senior
Vice President of
Commercial



TOP 5 COMPANIES WITH 50 OR UNDER EMPLOYEE'S

	Walsh Construction	EMPLOYEES	REVENUE
1		46	\$145,000,000.00
2	Metro-Can Construction Ltd.	50	\$100,000,000.00
3	Harbridge and Cross Ltd.	50	\$73,000,000.00
4	Gracan Construction Ltd.	50	\$67,800,000.00
5	Procam Construction Inc.	40	\$55,000,000.00

POMERLEAU

The market: Over the past five years, the Canadian construction market has been more stable than most in the world. There has been strong investment in infrastructure to address an infrastructure deficit that developed over the past 30 or 40 years.

Our industry has innovated in terms of contracts. Public and private clients have been requesting P3s, design-build-finance construction management and other new models, more so than in most countries. Canadian contractors are analyzing the best ways to build a project, not only technically but also contractually.

If we were behind a few years ago, that is not true anymore. The best contractors in Canada are right up there, investing heavily in new technology.

Opportunities: The contracts are getting bigger so they are more complex and need more financial backing. The best contractors with the best people and the best technologies, will have more opportunities. It is a great opportunity for the best companies.

Challenges: With this growth in size and complexity come challenges in risk management. In the past, the risk was spread around among a larger number of contractors. Now, one contractor often bears most of the risk itself.

Leaders: New hires often have very similar backgrounds. After that, it is a question of attitude. The desire to succeed leads to success.

The company tries to develop leaders from within. Training is important; we invest a lot in training. We spare no effort in mentoring, training, facilities — making sure that these people get the best opportunities.

— Pierre Pomerleau, C.E.O.



Jim Barnes is a contributing editor to On-Site.