

2011 SURVEY OF ONTARIO'S ICI CONSTRUCTION INDUSTRY

MARCH 2011

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SURVEY HIGHLIGHTS

OCS survey reveals that contractors are tentatively optimistic about Ontario's economic prospects and expect continued growth in their business this year.

The annual Ontario Construction Secretariat (OCS) survey of Industrial, Commercial and Institutional (ICI) construction contractors across Ontario reveals that the sector is poised to experience continued growth in 2011. The survey of 1000 non-residential ICI contractors conducted by Ipsos Reid for the OCS highlights that nearly half of contractors operating in the ICI industry expect to conduct more or much more work this year, compared to 2010.

This year, firms anticipate conducting the most new work in the commercial sector. The percentage of contractors expecting to conduct *more* work in the institutional sector dropped 5 points from 2010 which is consistent with the perception that government funding for institutional projects will be pulled back. Meanwhile, the number of contractors expecting to conduct *more* work in the industrial sector was relatively unchanged while the percentage of contractors expecting to conduct *less* work declined 4 points from last year's survey. This suggests less pessimism about industrial construction in 2011. Contractors in the GTA are the most optimistic for new business in 2011, while those firms in Southwestern Ontario are the least optimistic.

Steady business growth will also lead to jobs in the ICI construction industry as the percentage of firms expecting to increase the number of people they employ in 2011 is up modestly from 2010 and strongly from 2009.

2010 was an improved year for contractors as nearly 40% of firms reported performing more work, while the number of contractors reporting less work dropped significantly from 2009's level. As a result of this improvement, nearly two-thirds of businesses reported hiring new workers in 2010. Regionally, firms in Eastern Ontario were the most likely to have conducted more business in 2010. Conversely, firms in the GTA and Central Ontario were least likely to have performed more work.

While 2010 was a better year for contractors, it appears that the effects of the recession are still lingering in their minds. Case in point, survey respondents are only cautiously optimistic about Ontario's economic prospects and the ability of the private sector to be a growth leader.

Ontario's contractors continue to be in a strong financial position, with the strength skewed towards larger companies. Firms surveyed also expect significant cost inflation - concentrated in transportation and construction materials costs - and expect to increase their prices charged in response.





YEAR IN REVIEW

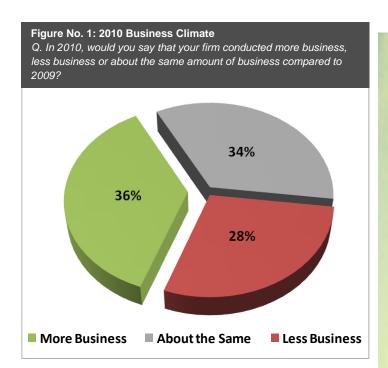
Contractors Report Moderately Improved Business in 2010

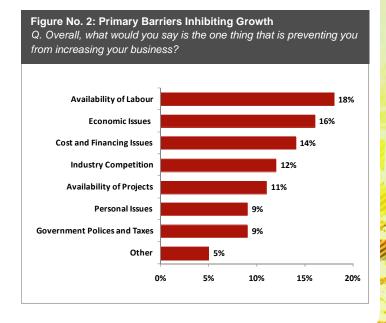
Our annual survey of 1000 contractors indicates that 2010 was a somewhat improved year compared to 2009. 36% of contractors reported conducting more business in 2010 (up a modest 6 points from last year). However, there was a significant decline in the percentage of firms reporting that they conducted *less* business in 2010 (28% versus 42% in 2009). This indicates that business conditions did not continue to deteriorate in 2010 and in fact improved - albeit only moderately.

The availability of labour (skilled workers, supervisory and management staff) was the key barrier to further expansion reported by contractors, with issues related to the economy being the second most cited. This marks an abrupt change from last year, where economic issues were far and away the most cited barrier. The availability of skilled labour continues to be a limiter to continued expansion - pointing to the need for further awareness of career opportunities in the skilled trades and improved employment opportunities for apprentices with construction employers.

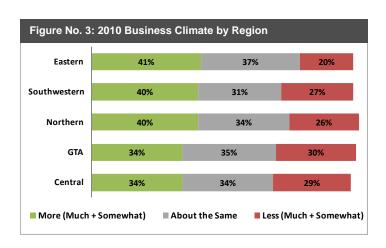


- 2010 was a good year, not a fantastic year
- 36% of contractors reported doing more business in 2010 compared to the economically depressed 2009
- Regionally, Eastern Ontario contractors were more likely to report increased activity
- Availability of labour and the economy cited as top barriers to increased growth





Regionally, contractors in Eastern Ontario were more likely to have conducted *more* business, with the strength concentrated primarily in Ottawa, which saw a healthy amount of commercial activity last year. Outside of Ottawa, firms in Kitchener-Waterloo-Barrie (45%), London (46%) and Northwestern Ontario (44%) are the most likely to have reported conducting more business in 2010. Meanwhile, a higher percentage of contractors in the GTA reported doing *less* business than any other region, though they were much better off than they were in 2009.



Contractors Hire More Workers in 2010

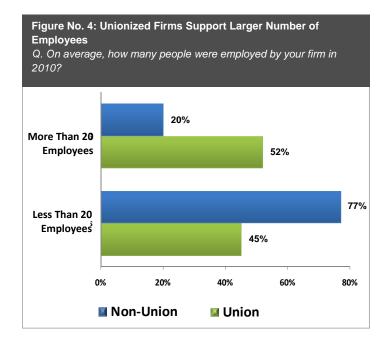
Almost two-thirds (63%) of contractors surveyed reported hiring new workers in 2010, putting the average firm size on par with 2008 levels. Firms in Ottawa, Kitchener-Waterloo-Barrie and the Northwest regions were the most likely to have hired new workers - an unsurprising result given their greater tendency to have performed more work. Meanwhile, firms in the GTA, London, Windsor-Sarnia, and Hamilton-Niagara were the least likely to have hired more workers.

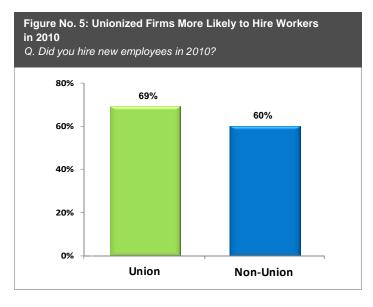
The majority of contractors continue to employ between 1 to 9 workers, though there was a modest increase in the number of firms employing between 10-19 and 20-99 workers, compared to 2009.

Unionized contractors did their part to support Ontario's construction labour force as nearly 70% of unionized firms reported increased hiring in 2010, compared to 60% of non-unionized firms. Unionized firms also tend to be larger, with over half indicating that they employ more than 20 employees, versus only 20% in the non-union sector.

HIGHLIGHTS-

- 63% of contractors hired new workers in 2010
- Regionally, contractors in Eastern and Northern Ontario were more likely to report new hires
- Unionized contractors tend to work on bigger projects, employ more workers and generate more revenue

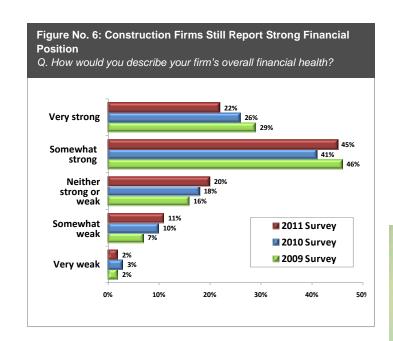




Strong Financial Health Continues to Characterize Ontario's Contractors

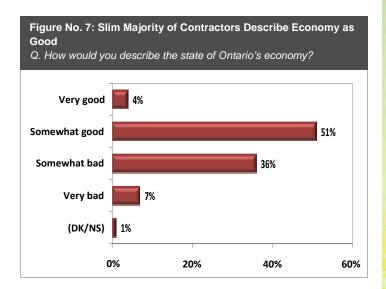
Like last year's survey, over two-thirds of respondents reported that they were either in a *strong* or *very strong* financial position - indicating solid financial health overall. However, the response results are perhaps not as robust as in prior years as the percentage of contractors reporting a *very strong* position slipped 4 percentage points. Meanwhile the percentage of contractors reporting their position as *somewhat weak* has increased - albeit marginally - for 3 straight years. These points aside, our survey results suggest good financial health for Ontario's contractors, which is a key to continued employment growth in the industry.

72% of unionized firms reported being in either *strong* or *very strong* financial health, compared to 66% of non-unionized firms. Perhaps not surprisingly, firms with more employees and who generate greater revenue than their counterparts reported being in a better financial position.



Contractors are Tentatively Optimistic about Ontario's Prospects

When asked about the state of Ontario's economy, the majority of contractors were generally positive. However, 51% of respondents described Ontario's economy as only *somewhat good* while a mere 4% characterized it as *very good*. After a rough 2009 and only a somewhat improved 2010, it appears that contractors' confidence levels have not been fully repaired. Interestingly, firms who worked primarily in the civil engineering sector were the most optimistic in their characterization of Ontario's economy, possibly due to that space being partially buffered from the economic downturn because of the infrastructure stimulus program.



HIGHLIGHTS

- Just over half of contractors rate the current economic situation a good
- Similarly, 55% believe the private sector is ready to lead growth

"Ontario contractors are optimistic about the future, but are concerned about how much business expansion will actually occur in the coming year."

Likely related to their feelings on Ontario's economy, contractors were tentatively optimistic about the private sector's ability to lead Ontario's growth. Although the bulk of respondents *agreed* that the private sector could lead growth (55%) only 9% *strongly agreed* with the sentiment.

Unionized contractors were almost split on the issue with 50% of respondents *agreeing* or *strongly agreeing* that the private sector was ready, while 44% either *disagreed* or *strongly disagreed*. Their non-union counterparts were a little bit more optimistic. Notably, contractors who work primarily in the industrial space were the most optimistic about Ontario's private sector, coinciding with a modest increase in manufacturing activity last year.

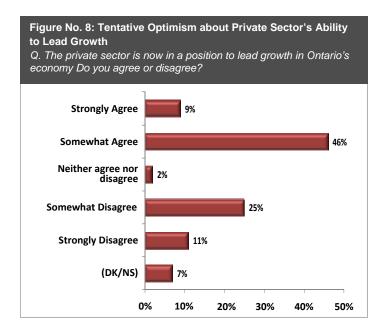
Labour Markets Starting to Tighten

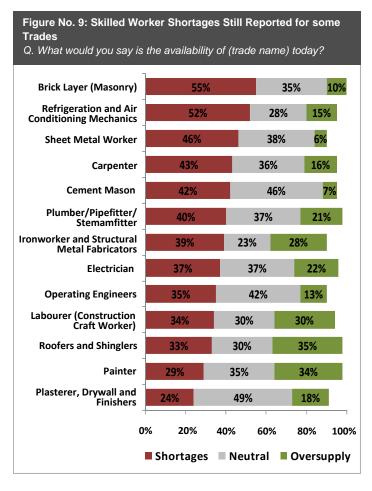
Contractors most often cite employing electricians, mechanical trades, labourers and carpenters. When asked to rank the availability of the trades they employ, most contractors reported a tighter labour market in 2010 compared to 2009.

The trades most often reported by contractors in shortage (either severe shortage or somewhat shortage) include Brick Layers (55%), Refrigeration Mechanics (52%), Sheet Metal Workers (46%), Carpenters (43%), Cement Masons (42%) and Plumbers and Pipefitters (40%)

HIGHLIGHTS

- Most contractors report a tighter labour market in 2010 compared to 2009
- Just over half of the contractors that hire Brick Layers and Refrigeration/AC Mechanics report some degree of shortage





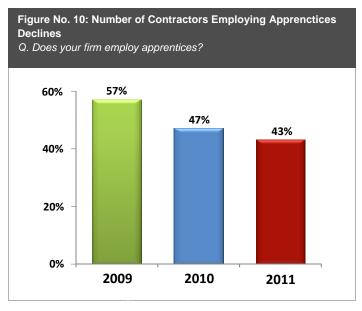
Unionized Contractors Are The Backbone of Ontario's Apprenticeship System

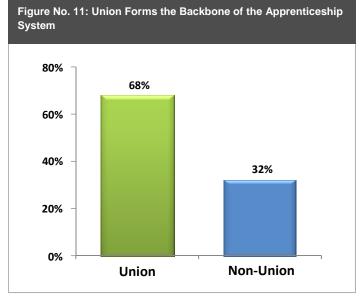
Despite contractors reporting trade shortages over the past few years, not all contractors are committed to training new workers. Less than half (43%) of construction contractors reported employing apprentices, a decrease from 57% in 2009. Unionized contractors continue to be strong supporters of apprenticeship as they are considerably more likely than non-unionized contractors to hire apprentices. In fact, 68% of union respondents indicated that they employed apprentices compared to 32% of non-union contractors. Unionized firms are also considerably more likely to hire more apprentices on average than their non-union counterparts (8.2 apprentices vs. 3.5 apprentices).



Regionally, contractors in Central and Southwestern Ontario are somewhat less likely to employ apprentices than the provincial average. Only 36% of contractors in Central Ontario and 41% in Southwestern Ontario reported hiring apprentices. Eastern Ontario contractors continue to be strong supporters of apprenticeship.

Among those firms that do employ apprentices, almost one-third (29%, up 5 points) rate their skill level as *very good* and 70% provide a *very good* or *good* rating of their skill level. When asked about their investment in apprenticeship training, 71% of contractors indicated their investment would stay the same. Only one-quarter (23%) noted plans to increase their investment in apprenticeship.



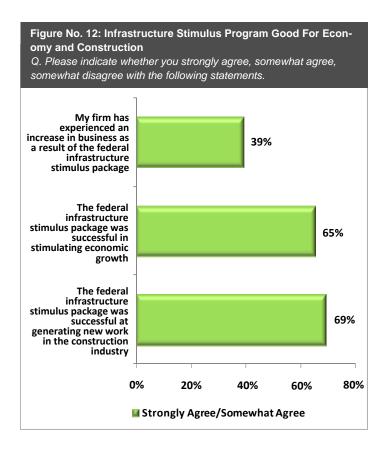


"The decline in apprenticeship employment over the past few years may be attributed to the economic downturn and uncertainty about future construction opportunities. With increased confidence in the economy, we hope to see an uptick in apprenticeship hiring and investment."

Federal Infrastructure Stimulus

The \$4 billion Federal Infrastructure Stimulus Fund was designed to provide short-term stimulus to the economy by funding construction-ready infrastructure projects. This funding has now been extended by a full construction season to October 31, 2011.

Contractors were fairly strong in their support for the infrastructure stimulus fund and its success at generating new work in the construction industry and stimulating economic growth. The majority of firms (69%) agree that the stimulus package was successful at generating new work in the construction industry, with a full 25% of contractors strongly agreeing with the positive impact of the funding on construction activity. Moreover, nearly two-fifths (39%) reported that they personally realized an increase in business as a result of the infrastructure funding. The survey data suggests that those firms who employed more people and/or earned higher revenues were more likely to agree that the stimulus funding was beneficial to the economy, construction industry and their own business.



Ontario's Green Energy Act

Ontario's Green Energy Act was introduced in 2009 with the goal to increase investment in renewable energy projects and conservation. These initiatives would create green jobs, boost economic growth and position Ontario as a leader in the green economy. When asked about the impact of the Green Energy Act on business opportunities, 22% of contractors reported it had increased business opportunities. An additional 16% of contractors had not yet experienced any increase, but expected to in the future. However, more than half of the contractors (55%) indicated no increase in business opportunities as a result of the Green Energy Act.

"Counter-cyclical spending plays an important role in the construction industry and Ontario's economy. A majority of contractors believe the Infrastructure Stimulus Program played an important role in stimulating the economy and generating opportunities for the construction industry."

CONTRACTORS' OUTLOOK FOR 2011

Contractors Expect Continued Business Growth

Contractors in the province are expecting continued business growth in 2011 as a shade under half (44%) of respondents expect to conduct *somewhat* or *much more* work this year. This is down slightly from last year's survey though still up solidly from 2009. The proportion of contractors expecting *somewhat* and *much less* work this year is unchanged from 2010. Overall, these results are very similar to last year's survey and point to another year of steady construction growth.

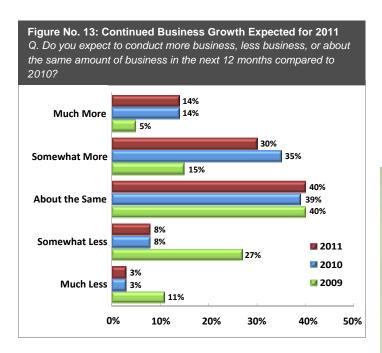
Regional Variations and Union/Non-Union Expectations

Like last year's survey, firms in the GTA were the most likely to report expecting to conduct *more* work this year. On the opposite end of the spectrum, contractors in Southwestern Ontario were the least likely to report anticipating *more* work in 2011, with the Windsor-Sarnia region providing the biggest damper on expectations. Meanwhile, firms in Stratford-Bruce, the City of Toronto and the Toronto Suburbs were most likely to declare an expectation of *more* work for this year.

Union and non-union expectations for 2011 are closely aligned. 42% of unionized firms expect to see an increase in their business versus only 14% anticipating a decline. 44% of non-unionized firms expect more business this year, versus 12% who predicted a drop.

Expectations by Sector

Similar to 2010, contractors expect to conduct the most work in the commercial sector in 2011, with Eastern Ontario and Toronto being the key regions driving the result. The percentage of contractors expecting to conduct *more* work in the institutional sector dropped 5 points from 2010. This is consistent with the perception that government funding for institutional projects will be pulled back going forward. Meanwhile, the number of contractors expecting to conduct *more* work in the industrial sector was relatively unchanged while the percentage of contractors expecting to conduct *less* work declined 4 points from last year's survey. This suggests less pessimism about industrial construction in 2011.



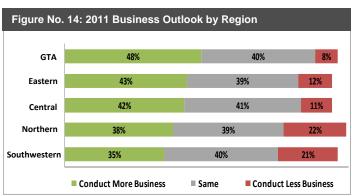


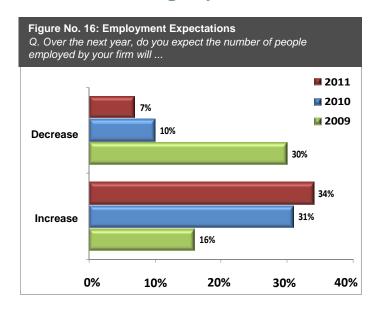
Figure No. 15: 2011 Business Outlook – By Sector Q. Which, if any, market segments do you expect to conduct more/less work in 2011?

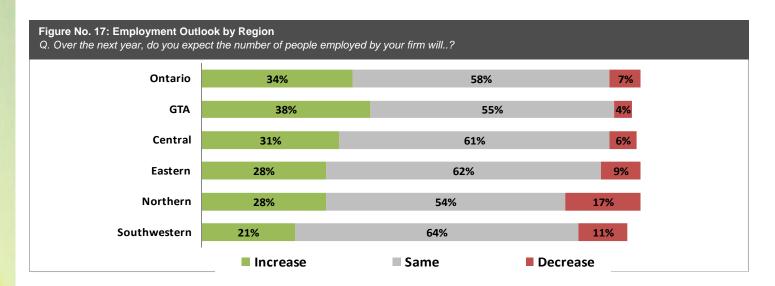
| Sector & Segment | Conduct More Work | Conduct Less Work | NET Difference |
|------------------|----------------------|----------------------|-------------------|
| Commercial | 39% | 24% | +15 |
| Industrial | 19% | 14% | +5 |
| Institutional | 12% | 9% | +3 |

Anticipation of Continued Growth Leads to Increased Hiring Expectations

Consistent with the expectation of steady business growth, 34% of firms anticipate increasing (*substantially or modestly*) their workforces this year. Meanwhile, only 7% of firms expect to decrease their workforce in 2011. This is down slightly from last year's survey, where 10% of respondents were ready to trim their payrolls. Roughly two-fifths (39%) of unionized contractors expect to increase the size of their workforce, while 31% of non-unionized firms anticipate increasing their headcounts.

Firms located in the GTA were the most likely to expect an increase in the size of their workforce, which is consistent with their forecast for an improved level of business. Given a tougher year expected by contractors in Southwestern Ontario, it is not surprising that firms in that region are least likely to anticipate expanding payrolls in 2011.

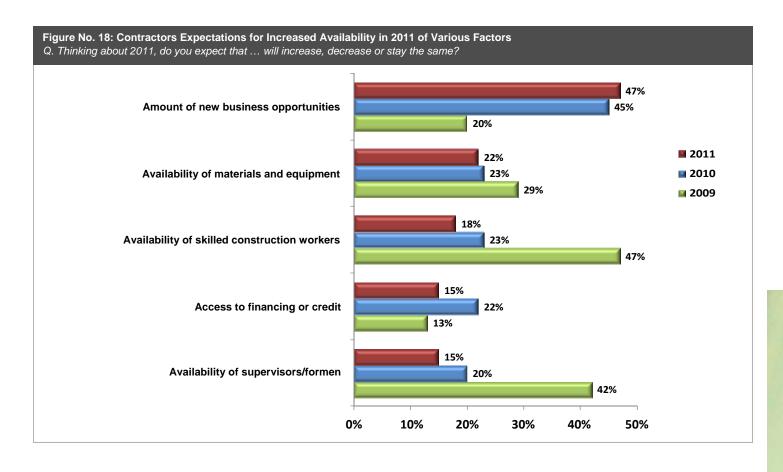




Availability of Skilled Workers, Supervisory and Management Staff

For the third year in a row fewer contractors expect the availability of skilled labour and supervisory staff to increase. With improving market conditions and contractors' expectations for new business opportunities (47% expect opportunities to increase in 2011), contractors are increasingly concerned about the availability of labour. As previously noted, contractors continue to cite the availability of labour as a key barrier to growth.

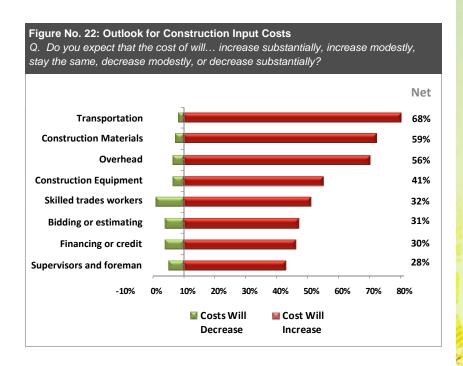
"Availability of skilled workers and supervisory staff is an increasing concern for many contractors. Only 18% expect labour availability to increase in 2011."



Cost Outlook

Overall, the distribution of the cost outlook for this year is very similar to last year's survey, with the lion's share of contractors (70%) expecting an increase in transportation costs - in line with steadily increasing gasoline prices.

What is significantly different from last year's survey is that, on a net basis, only 32% of respondents expect the cost of skilled workers to increase, down from 40% last year. One possible explanation is that with the latest collective bargaining round finished, uncertainty surrounding the magnitude of wage changes has been removed. In addition, a lower percentage of firms are expecting the cost of financing or credit to be higher this year versus 2010 - consistent with other indications of looser credit standards and a continued low interest rate environment.



Given their expectations of cost inflation, contractors expect to increase the price they charge for their services. In fact, 43% of contractors anticipate increasing their prices, up from 39% in 2010 and 21% in 2009. This comes despite roughly half of firms (46%) expecting the level of competition they face to increase this year.

Regionally, contractors are *most* likely to anticipate increasing their prices in Northern Ontario while those in Southwestern Ontario are the *least* likely to expect an increase in the price they charge. These results are the same as last year's survey.



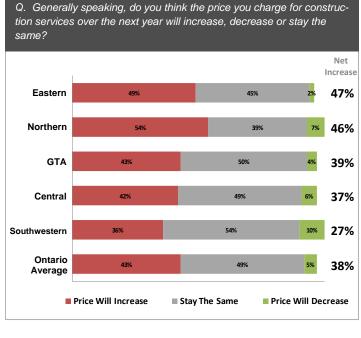


Figure No. 20: Average Project Price Outlook by Region

OCS Construction Outlook Index

The OCS Construction Outlook Index is derived from opinions expressed through our survey of 1000 contractors who work in the non-residential ICI construction sector. An analysis of their views reveals that four key factors drive contractors' outlook – New Opportunities and Financing; Business Momentum; Costs; and Labour Availability.

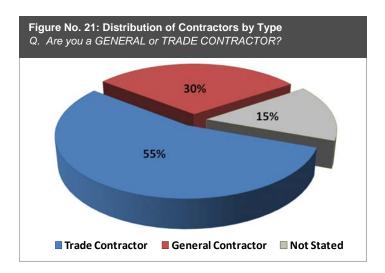
As the Ontario economy continues along its path of recovery, the overall OCS Construction Outlook Index remains unchanged from 2010. Contractors' anticipation of a stronger business momentum (anticipation of more work) in 2011 is modestly tempered by concerns about availability of labour and access to financing.

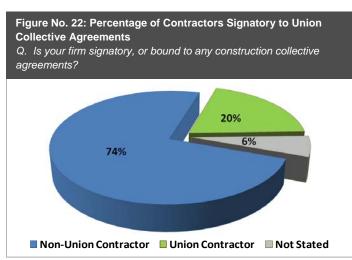
The stability of the Index from 2010 to 2011 indicates that the most influential factors driving new business opportunities are expected to remain consistent through 2011. It also shows that the industry has rebounded, and stabilized, from a very difficult year in 2009.

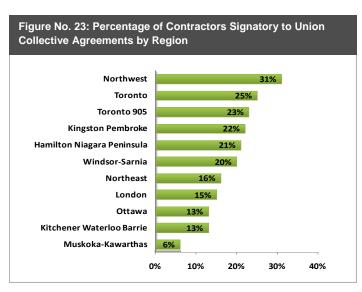
HIGHLIGHTS

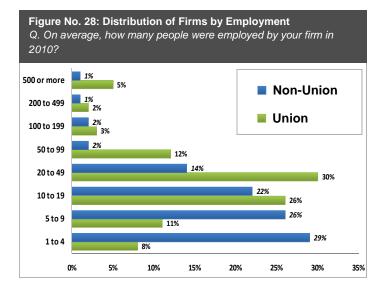
- 2011 business outlook is positive with 44% of contractors expecting to conduct more work
- Nearly half of contractors predict an increase in new business opportunities
- Most firms (92%) plan to maintain or increase employment
- Construction costs projected to increase in line with increases in transportation and construction material costs

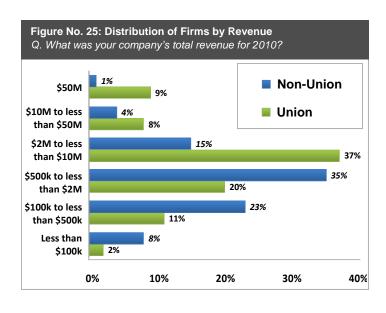
INDUSTRY PROFILE

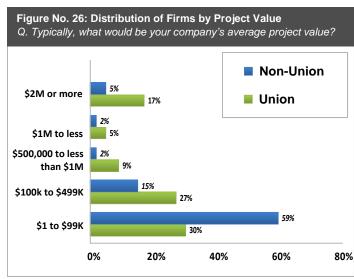












ABOUT THE SURVEY

In November and December 2010, the Ontario Construction Secretariat, with the assistance of Ipsos-Reid conducted a survey of senior executives from Ontario's non-residential construction industry. A total of 1000 telephone (CATI) interviews were conducted with general and trade contractors in Ontario. The margin of error for a sample of 1000 interviews is 3.1%, nineteen times out of twenty. The margin of error for sub-sections (ie. region) of the sample is larger, depending on the sample size. The final data was weighted according to the number of contractor establishments working in the ICI sector per economic region within the province of Ontario according to the latest Statistics Canada data.

The survey was designed to capture individual and collective perceptions on the current business climate of the industry, barriers to growth as well as contractors' views on the short-term outlook for the industry. Conducted annually, this survey produces a broad-based summary of business opinion regarding construction activity, investment and labour market conditions. This data is particularly valuable in identifying turning points in the business cycle.

About OCS

The Ontario Construction Secretariat (OCS) was established in 1993 under provincial legislation to represent the collective interests of the organized building trades unions and their signatory contractors in the Industrial, Commercial and Institutional (ICI) construction industry. The OCS works, with our labour-management-government partners, to enhance Ontario's unionized ICI construction industry by developing relationships, facilitating dialogue, providing value-added research, disseminating information and promoting the value of unionized ICI construction.

Visit www.iciconstruction.com

About Ipsos-Reid

Ipsos Reid is Canada's market intelligence leader and the country's foremost provider of public opinion research. With operations in eight cities, Ipsos Reid employs more than 500 research professionals and support staff in Canada. The company has the biggest network of telephone call centres in Canada, as well as the largest pre-recruited household and on-line panels. Ipsos Reid's Canadian marketing research, advertising, loyalty, media and public affairs practices are staffed with seasoned research consultants with extensive industry-specific backgrounds, offering the premier suite of research vehicles in Canada - including the Ipsos Trend Report Canada Online, the leading source of public opinion in the country.

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MARCH 2011 - Ontario Construction Secretariat

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