

CORONAVIRUS

CONTRACTOR SURVEY 3: REEMERGENCE & ADAPTATION

JUNE 30, 2020

Survey Highlights & Methodology

Top Contractor Concerns

- A potential second wave of COVID-19 is the top concern of contractors (not included as an option in previous surveys)
- Ensuring the health and safety of their workers remains a top concern of contractors
- Between Survey 2 (May 11-15) and Survey 3 (June 16-19) there have been significant increases in concerns with the ability to get skilled labour, and with supply chain disruptions

Status of Construction Activity

- Only 5% of contractors reported that all of their construction activities were still fully stopped
- Contractors report that on average only 28% of their activity was halted
- Delays to forthcoming work are taking longer to lift, with 41% of work scheduled to start this year still delayed

Impact on Project Costs

- Contractors are now expecting a 13% increase in project costs on average due to new PPE and physical distancing requirements

Financial Impact

- 73% of contractors forecasted that their calendar year revenue would be down compared to 2019, this is unchanged compared to the previous survey
- The depth of their expected revenue decline has seen little improvement, with contractors now forecasting a 23% annual decline on average, compared to a 26% decline forecasted in the previous survey
- In general, owners have been accommodating with contractors in terms of delays and contractual issues, with 69% of contractors reporting that owners had been very flexible or somewhat flexible, and 18% saying owners were somewhat or very inflexible.

Bidding Trends

- Contractors are starting to bid on more work, with 53% now doing the same amount or more bidding than usual, compared to 38% at the time of the previous survey
- 88% of contractors have observed that owners are now including new health and safety requirements on their projects

Worksite Trends

- 93% of contractors believe they are meeting enhanced sanitation standards on their sites
- 42% of contractors believe the morale of their workers has improved because of the enhanced sanitation standards
- Over two-thirds (68%) of contractors want enhanced sanitation practices to continue permanently
- Just over half (52%) of contractors have observed an increase in government enforcement of health and safety standards

Investing in Coronavirus Adaptation

- Potential investments contractors are planning include: Strengthening supply chain and logistics (45%), Temperature checking capabilities (36%), digitization of processes (34%), and BIM (27%)

Other Disruptions

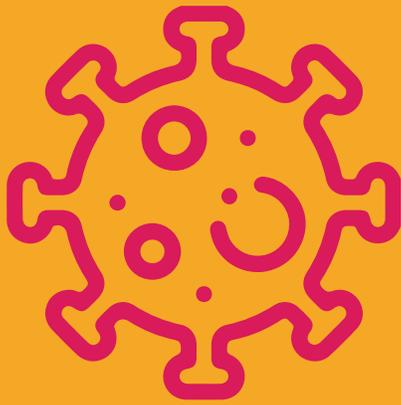
- There has been little improvement in supply chain issues caused by the coronavirus since the first survey in this series (Survey 1: April 22-29), with about two-thirds of contractors still reporting a medium or high impact
- One third of contractors have experienced significant delays in getting their building permits processed

Methodology

This survey was conducted via telephone with a sample of 200 ICI (Industrial, Commercial and Institutional) contractors from across Ontario between June 16-19, 2020. The margin of error for a sample of 200 is +/-6.9 percentage points, 19 times out of 20. Seventy-one percent (71%) of the contractors surveyed were trade contractors and 28% were general contractors. This is the third in the Ontario Construction Secretariat's [Coronavirus Contractor Survey Series](#). Data for [Survey 1](#) was collected between April 22-29, 2020, and the results were published on May 5, 2020. [Survey 2](#) was conducted between May 11-15, 2020, with the results published on May 25, 2020.

Top Contractor Concerns

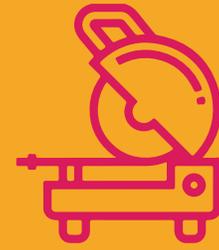
Top 5 Contractor Concerns



A second wave of COVID-19



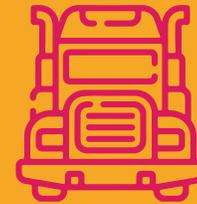
Ensuring health and safety of workers and staff



Ability to get skilled labour

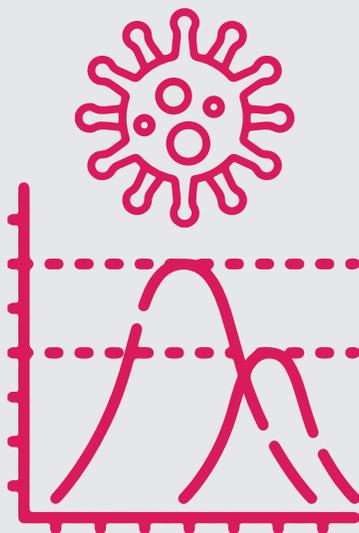


Maintaining productivity while meeting physical distancing requirements



The impact of supply chain disruptions

Intensity of Concern (Mean score on 7-point scale)



- 5.4 A second wave of COVID-19
- 5.2 Ensuring health and safety of workers and staff
- 5.1* Ability to get skilled labour
- 5.0 Maintaining productivity while meeting physical distancing requirements
- 5.0* The impact of supply chain disruptions
- 4.9 Shovel-ready projects getting approved quickly
- 4.9 Project cost over-runs due to sanitation, safety and social distancing protocols
- 4.7 Ability to source the required PPE over the long term
- 4.6 Building supply chain resilience
- 4.6 Demand for construction or investment in construction
- 4.5 Ability of government to issue building permits or planning permission
- 4.5 Ability of government to quickly roll out infrastructure stimulus spending
- 4.4 Clients' ability to stay in business
- 4.3 Access to capital or debt, and financial liquidity, and cash flow
- 3.9 Convincing construction workers that it is safe to return to work

Q "How much of a concern are the following on a 7-point scale where 7 means a major concern, and 1 means not a concern at all?"

*Significant increase over Survey 2: (Skilled labour previously scored 4.4; Supply chain scored 4.5)

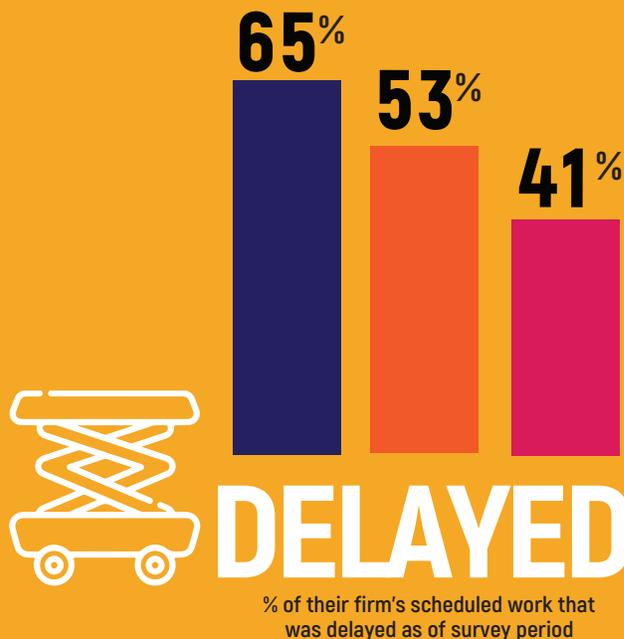
Status of Construction Activity

On average, how much of individual firms' work has been impacted by the coronavirus

Survey 1 (April 22-29) Survey 2 (May 11-15) Survey 3 (June 16-19)



Q "As of today, what percentage of your firm's construction activity is stopped because of the coronavirus?"



Q "Thinking of work that you were scheduled to start between now and the end of the year, what percentage of this work has now been delayed because of the coronavirus?"

How individual construction firms report being impacted by the coronavirus

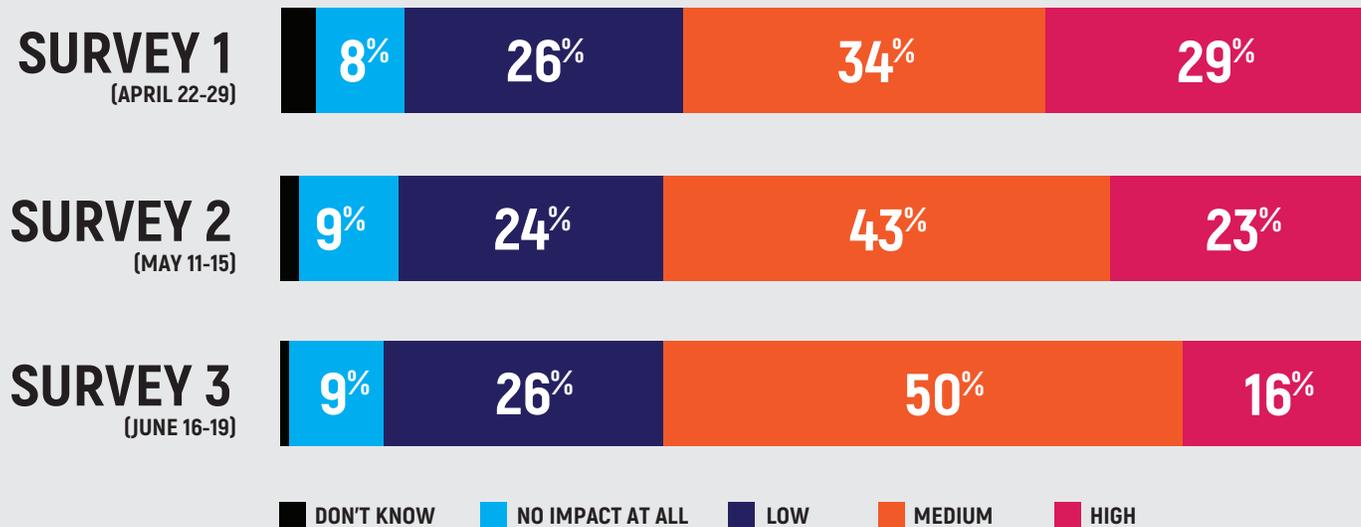
Survey 1 (April 22-29) Survey 2 (May 11-15) Survey 3 (June 16-19)



Q "As of today, which of the following best describes the current impact of the coronavirus on your firm's construction activities?"

Other Disruptions

Impact of coronavirus on supply chains



The past three surveys have demonstrated that supply chain issues have persisted for contractors. While the percentage of contractors reporting a high impact has fallen steadily, the percentage reporting a medium or high impact has stayed roughly the same.

Q "How much of an impact is the coronavirus economic disruption currently having on your firm's supply chains?"

Building Permit Delays



33% have experienced significant delays in getting building permits processed

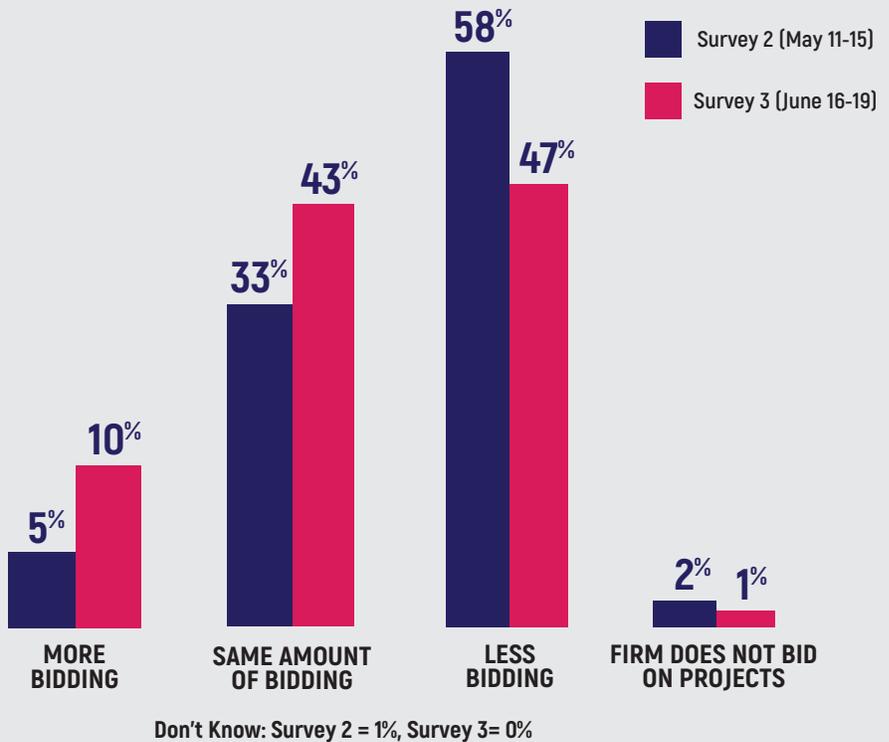
Q "Has your firm experienced significant delays in getting building permits processed?"

Bidding Trends

Bidding activity since pandemic began



Q "Since the coronavirus pandemic began, has your firm been bidding on work more or less, or have you been doing the same amount of bidding as usual?"



Availability of projects to bid on

Survey 2 (May 11-15)
Survey 3 (June 16-19)



MORE PROJECTS AVAILABLE



SAME AMOUNT AVAILABLE



FEWER PROJECTS AVAILABLE

Don't Know: Survey 2 = 1%, Survey 3 = 3%

Q "Have you been finding that there are more or fewer projects available to bid on than usual, or the same number of projects as usual?" (excludes respondents that don't bid on projects)

Bidding trends observed by contractors



88% New health and safety requirements from owners



51% Redistribution of how project risk is shared



27% Higher bids by contractors

Q "Have you observed any of the following in projects that you are bidding or seeking subcontractor bids?" (excludes respondents that don't bid on projects)

Worksite Trends

93%

believe they are meeting enhanced sanitation standards

Q "Do you believe your firm is meeting the enhanced sanitation standards required due to the coronavirus?"

52%

have observed that government has increased enforcement of health and safety standards on their worksites

Q "Has the government increased enforcement of health and safety standards on your worksites in recent weeks?"

24%

have had difficulties convincing workers its safe to return to their job sites

Q "Have you had difficulties in convincing workers it's safe to return to your job sites?"

29%

are keeping job sites open for longer hours

Q "Are you keeping job sites open for longer hours to enable increased productivity?"

42%

of contractors believe enhanced sanitation standards have improved worker morale

Q "Has worker morale improved as a result of enhanced sanitation standards?"

21%

have had difficulties getting workers to use PPE

Q "Has your firm had any difficulties in getting workers to use PPE?"

8%

have had difficulties getting workers to use hand sanitizing stations

Q "Has your firm had any difficulties in getting workers to use hand sanitizing stations?"

Worksite Trends

Percentage of contractors who have made the following worksite changes to ensure physical distancing



45%

**ADDITIONAL
WASHROOM
FACILITIES**



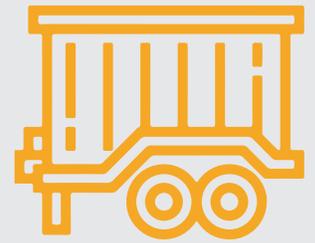
30%

**ADDITIONAL
LUNCH OR BREAK
TRAILERS**



26%

**MORE PARKING
SPACES SO
WORKERS CAN AVOID
CARPOOLING**



15%

**ADDITIONAL
OFFICE TRAILERS**

Q "Have you made any of the following facility changes on any of your construction sites to ensure physical distancing?"

Future of site sanitation



68%

**OF CONTRACTORS BELIEVE
ENHANCED SANITATION
PRACTICES SHOULD CONTINUE
PERMANENTLY**



31%

**BELIEVE THE INDUSTRY SHOULD
RETURN TO PREVIOUS SANITATION
PRACTICES WHEN THE PANDEMIC
IS OVER**

Don't Know = 2%

Q "Which of the following is closest to your opinion regarding the future of site sanitation?"

Financial Impact of Coronavirus

Revenue estimates for the year so far



73% of firms currently have less revenue than last year (76% in Survey 2** and 83% in Survey 1*)

Q "Thinking of the revenue generated by your business from January 1st up to today's date, is your firm's revenue higher, lower, or the same compared to the same time period in 2019?" (Lower: 73%, Same: 17%, Higher: 7%, Don't Know: 4%)



-29% revenue currently down 29% on average (estimate was -33% in Survey 2 and -42% in Survey 1)

Q "Approximately how much higher/lower as a percentage?"

Revenue expectations for the 2020 calendar year



73% of firms expect less revenue in 2020 (unchanged from Survey 2)

Q "Thinking of the year 2020 as a whole, do you expect your firm's revenue to be higher, lower, or the same compared to 2019?" (Lower: 73%, Same: 14%, Higher: 10%, Don't Know: 4%)

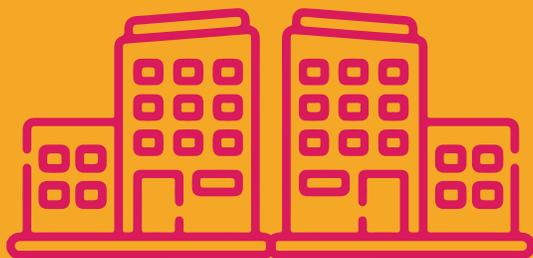


-23% revenue for 2020 expected to fall 23% on average (expectation was -26% in Survey 2)

Q "Approximately how much higher/lower as a percentage?"

*Survey 1 was conducted between April 22-29, 2020.

**Survey 2 was conducted between May 11-15, 2020.



8%

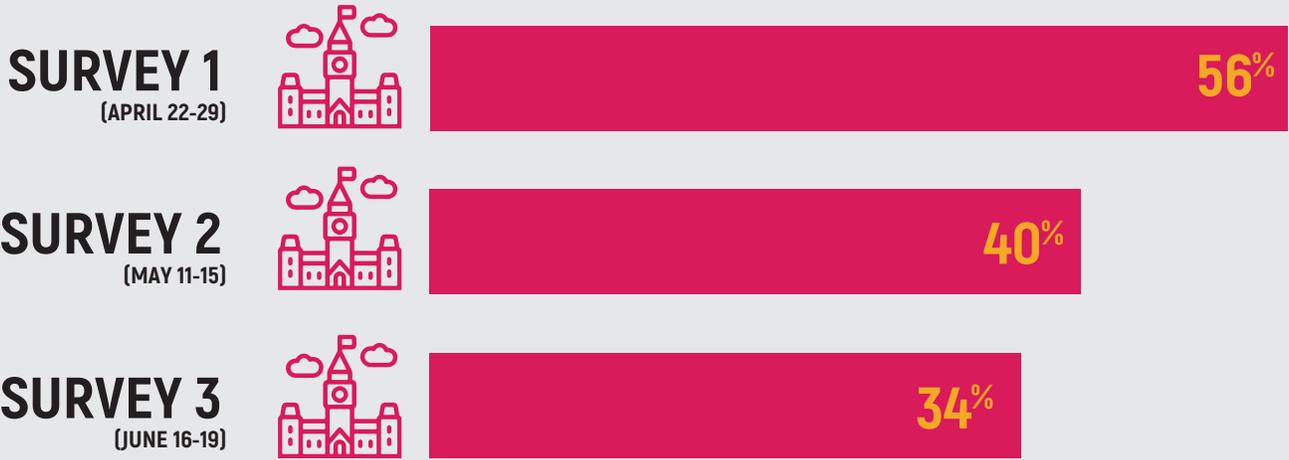
of firms considering mergers/acquisitions in order to survive (9% in Survey 2)

1% have already merged or been acquired as a result of the coronavirus

Q "Is your firm considering engaging in any mergers or acquisitions in order to survive the coronavirus economic disruption?"

Financial Impact of Coronavirus

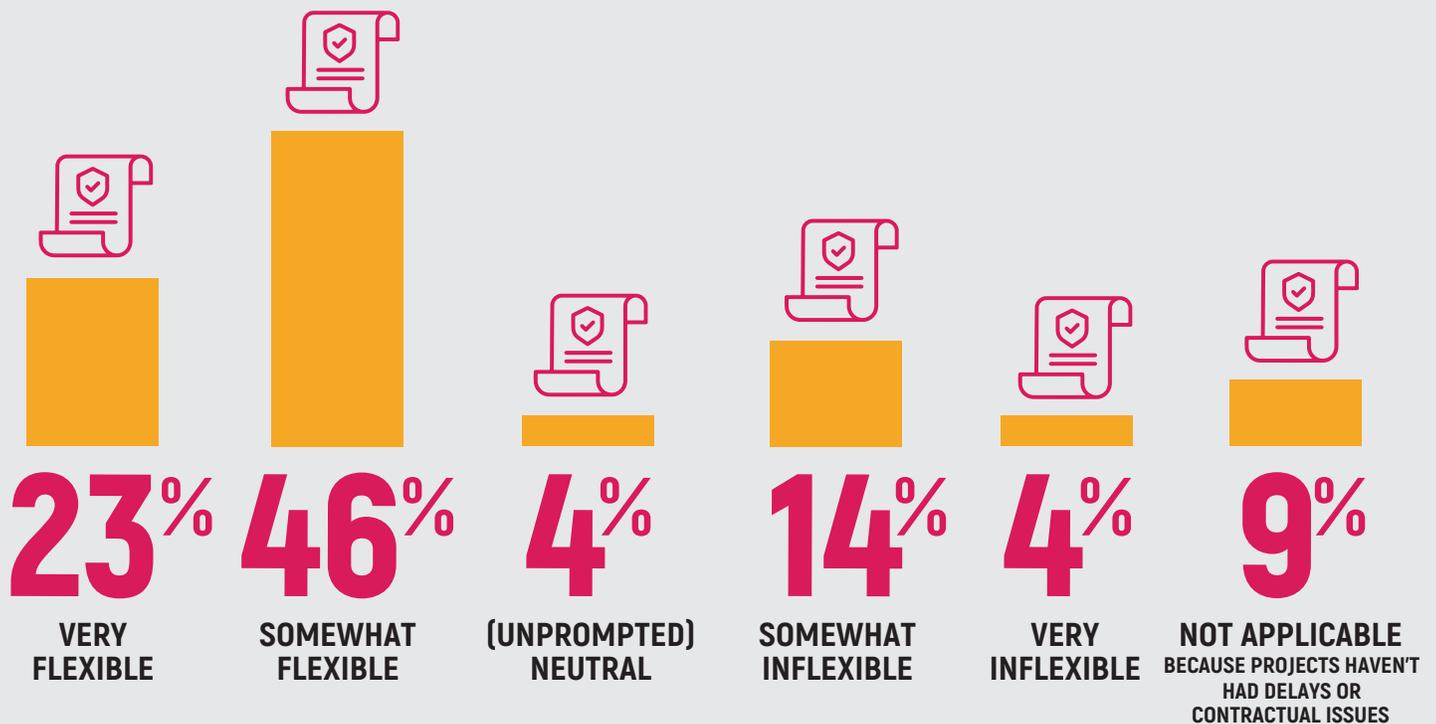
Percentage of firms that will need government support to stay in business



The proportion of contractors who will need continued government support to survive is shrinking.

Q "Do you expect your firm will need government support to stay in business?"

Owner flexibility with delays and contractual issues



Don't Know = 2%

Q "In general, when it comes to delays and contractual issues due to the coronavirus, how would you rate the flexibility of owners you deal with?"

Impact of Coronavirus on Project Costs



↑ **13%**

Contractors now expect PPE and physical distancing requirements will increase project costs by 13% on average.

At the time Survey 2 was conducted (May 11-15) contractors predicted a 23% cost increase. This likely indicates that given more time and experience their perception of potential cost impacts have changed. The May 11-15 survey period was also right on the cusp of the industry's full reopening in Ontario. This was likely a time of heightened anxiety and concern for contractors and may have contributed towards more cautious or inflated estimates of how much costs could increase.

Q "As a percentage, by how much do you estimate your overall project costs could increase as a result of implementing PPE and physical distancing requirements on construction sites?"

Factors Driving Increased Project Costs

Intensity of Impact on Project Costs (Mean score on 7-point scale)



- 4.3 Additional PPE
- 4.2 Adjustment to on-site production schedules to achieve physical distancing requirements
- 3.8 Time spent by supervisors on worksite sanitation, education and enforcement
- 3.8 Staff to carry out the increased cleaning and sanitation duties
- 3.6 Daily tracking and monitoring workers on site
- 3.3 Additional facilities to enable physical distancing
- 2.7 Staff to complete temperature checks
- 2.2 Electricity costs for example due to additional trailers or longer working hours

Cost impacts specific to adding trailers to worksites

- 3.3 Additional trailers*
- 2.4 Power costs for additional trailers**

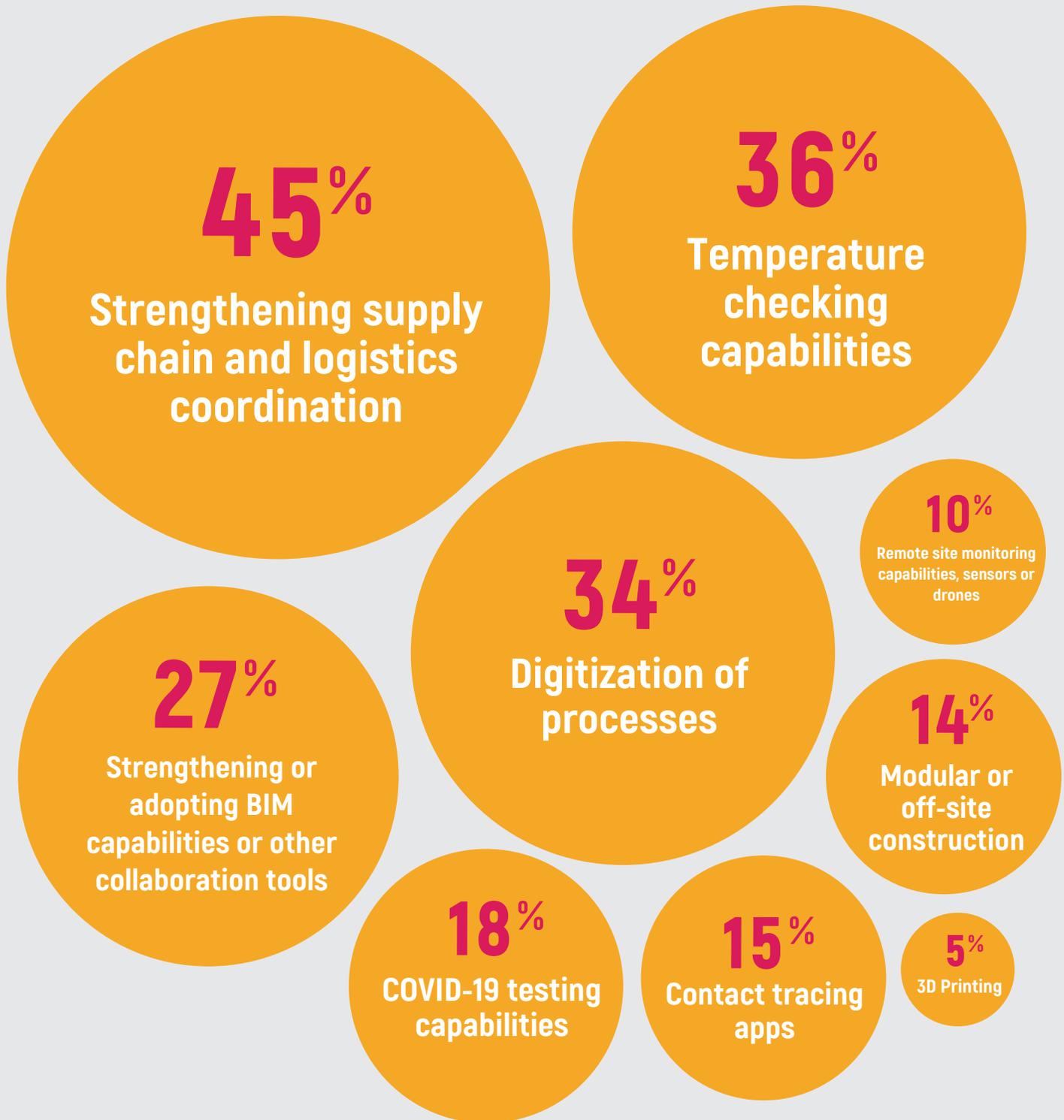
Q "How much of an impact are the following having on project costs on a 7-point scale where 7 means a major impact and 1, no impact at all?"

Q **"How much of an impact have additional trailers had on project costs on a 7-point scale where 7 means a major impact and 1, no impact at all?" (excludes respondents that have not needed additional trailers or washroom facilities)

Q ***"How much of an impact have power costs for additional trailers had on project costs on a 7-point scale where 7 means a major impact and 1, no impact at all?" (excludes respondents that have not needed additional trailers or washroom facilities)

Investing in Coronavirus Adaptation

Investments contractors are planning to make as a result of the coronavirus



Q "As a result of the coronavirus pandemic, is your firm planning to invest in any of the following?"

Contractor Comments on Adapting to New Safety and Economic Realities

"I think most of the economic impacts haven't been felt yet. Just waiting to see what comes down the pipe."

"We do temperature checks and monitoring. There is tracking of workers who may have been exposed."

"Our business is down but we are still operating. In the beginning (between March and mid-May) we laid off all of our employees except one. Now that things have picked up we have called people back and hope things start getting back to normal."

"We need to continue to be vigilant so as not to create a second wave. Together we can do this."

"We would certainly like to see shovel-ready projects being announced and approved as quickly as possible so we can stimulate the economy."

"It's a new world going forward so we're going to have to adapt. Social distancing, new PPE protocols and new sanitization practices are the way construction is going. It's going to be radically different."

"My projects are usually up to \$15 million in contracts by this time every year...Now I only have about \$3 million on the books."

"We're having to work harder and longer to get jobs done."

"We embarked on an educational program for COVID-19 which seemed to have helped our workers understand the situation. Once we established and followed the guidelines our morale started to improve."

"The economic realities have not yet affected us but they will."

Q "Do you have any comments you'd like to add about how your firm is adapting to new safety and economic realities?"

