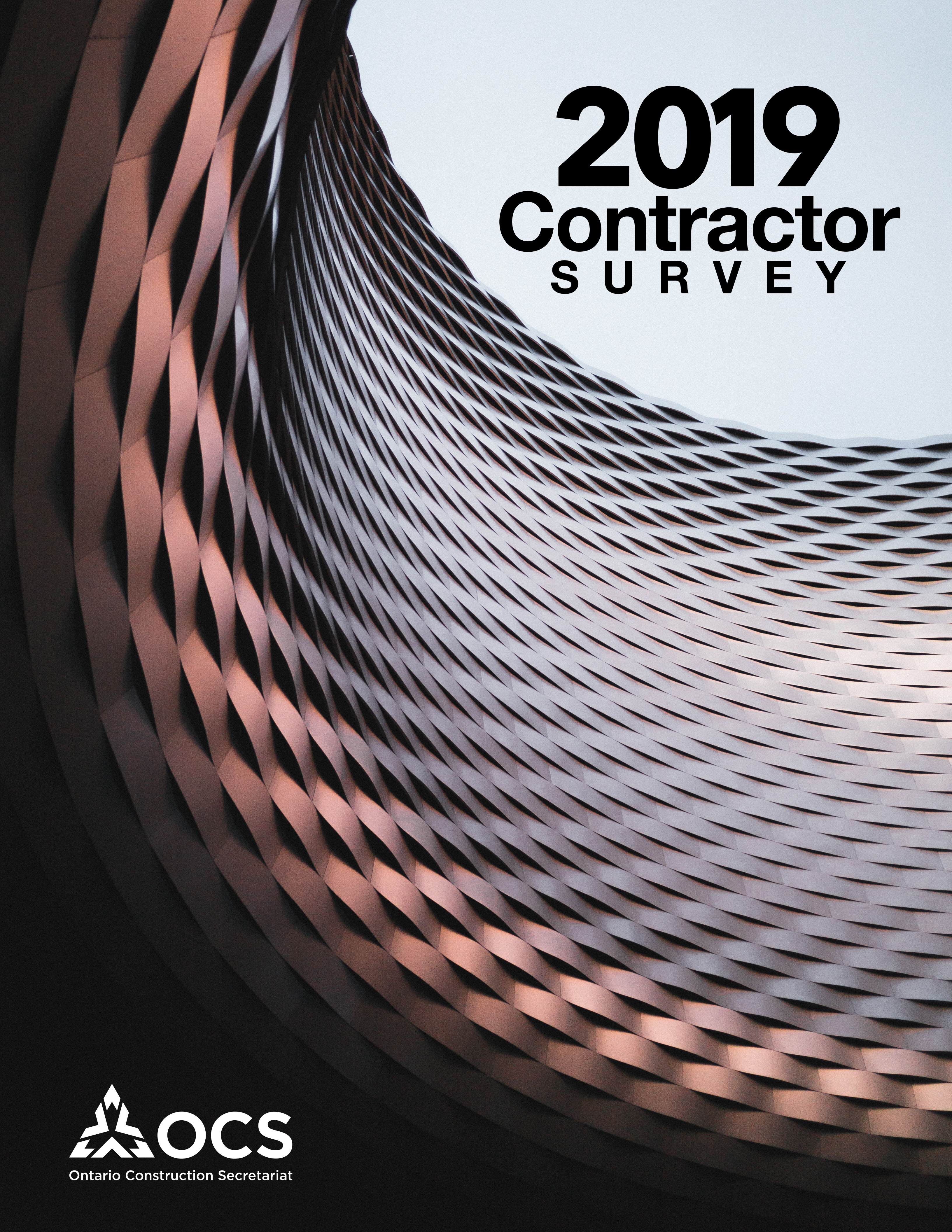
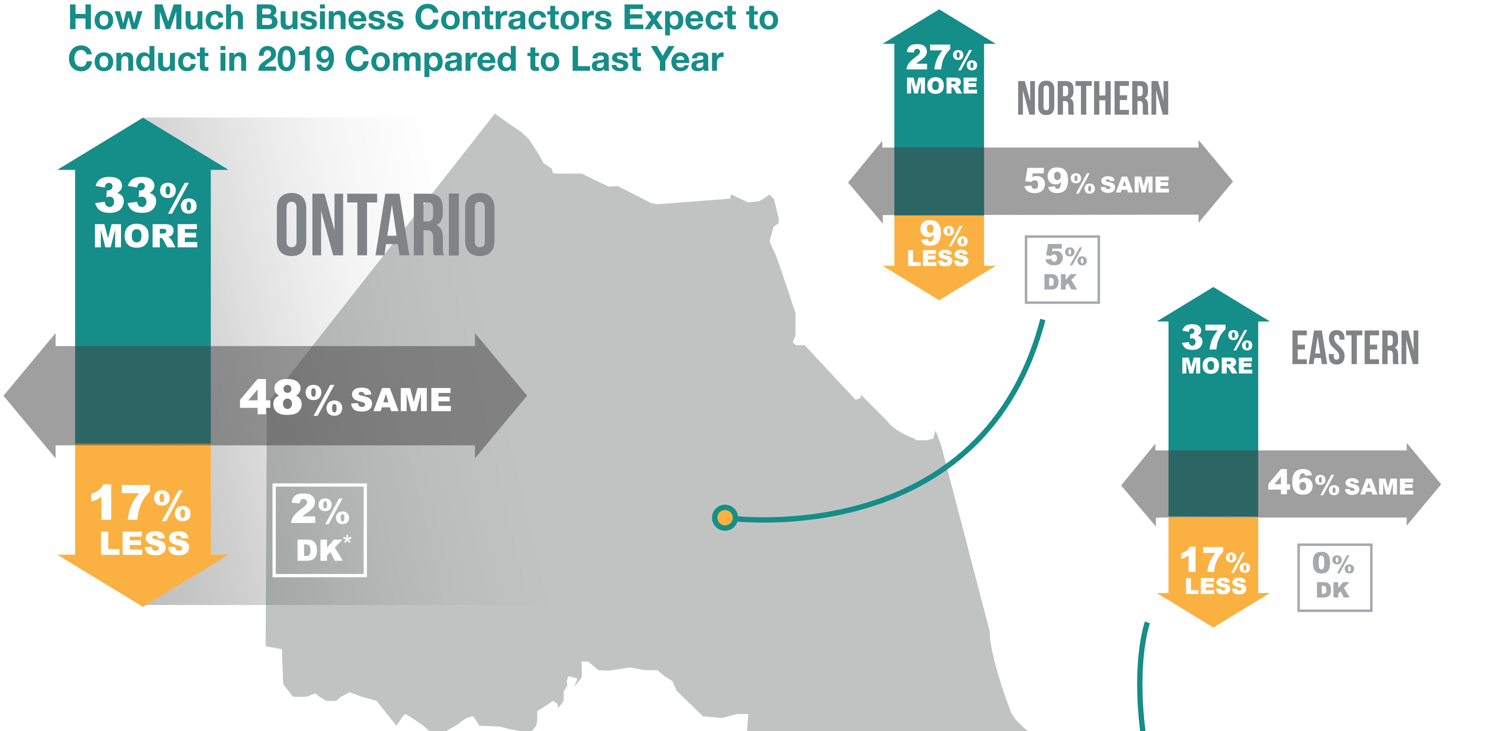


2019 Contractor SURVEY

OCS
Ontario Construction Secretariat

CONTRACTORS' BUSINESS OUTLOOK FOR 2019

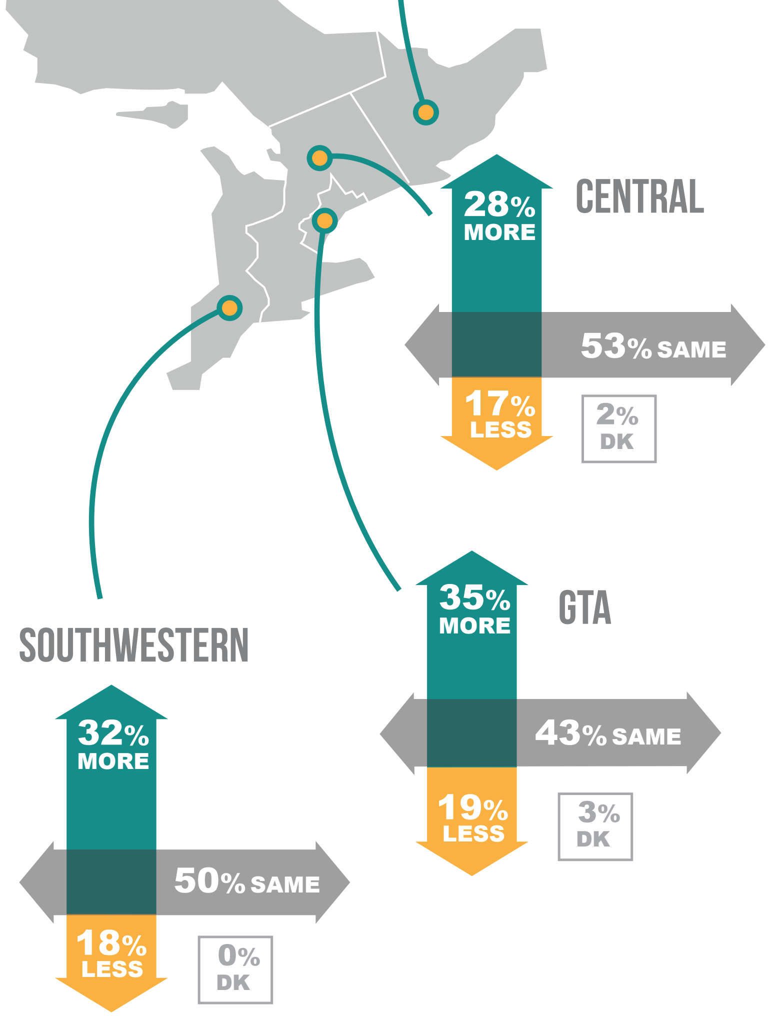
How Much Business Contractors Expect to Conduct in 2019 Compared to Last Year



Every year the Ontario Construction Secretariat (OCS) surveys 500 of Ontario's ICI contractors to gauge their business expectations for the year, and capture their views on salient issues in the industry. The survey includes ICI contractors from every region in the province, and from all labour relations models, including union, open shop, and alternative union.

Heading into 2019, a third (33%) of Ontario's ICI contractors said that they expect to do more work in the year than they did in 2018, while 17% expect to do less. Just under half (48%) of contractors are anticipating the same level of work.

Confidence is highest among ICI contractors in Eastern Ontario, where 37% are forecasting more work in 2019 compared to last year, with 17% expecting less. In the GTA, 35% anticipate more work, and 19% expect less. Increased work is forecasted by 32% of ICI contractors in Southwestern Ontario, while 18% expect less. In Central Ontario, 28% anticipate more work, with 17% expecting less. Among Northern Ontario contractors, 27% forecast more work, and only 9% expect less.



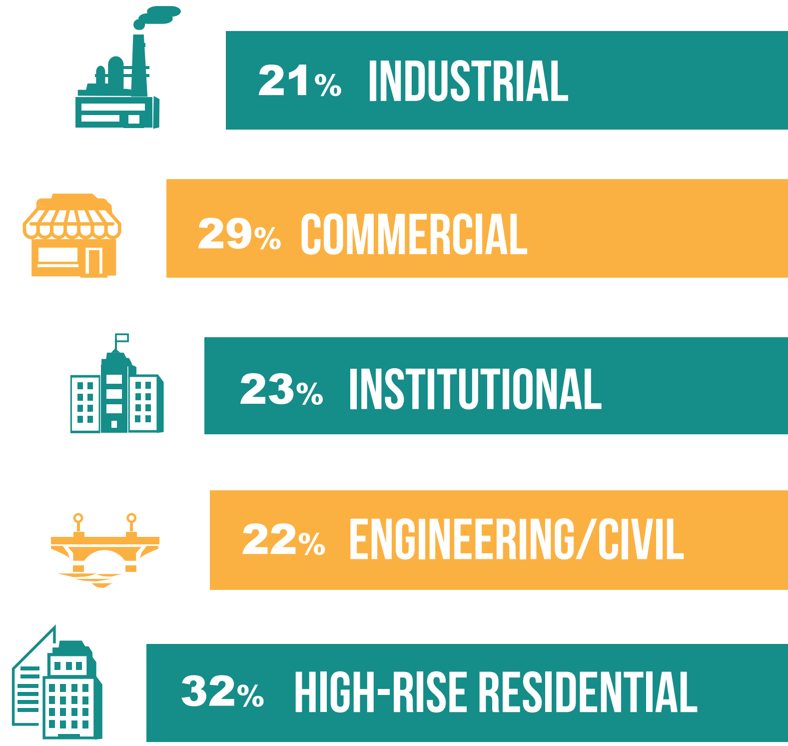
* DK = Don't Know

Business Expectations by Sector in 2019

As most contractors do work in multiple sectors, survey participants were asked whether in 2019 they were expecting to do more or less business in each of their usual sectors compared to 2018. Net increases in work are forecast in the commercial and high-rise residential sectors, while net decreases are expected in the industrial, institutional, and engineering/civil sectors.

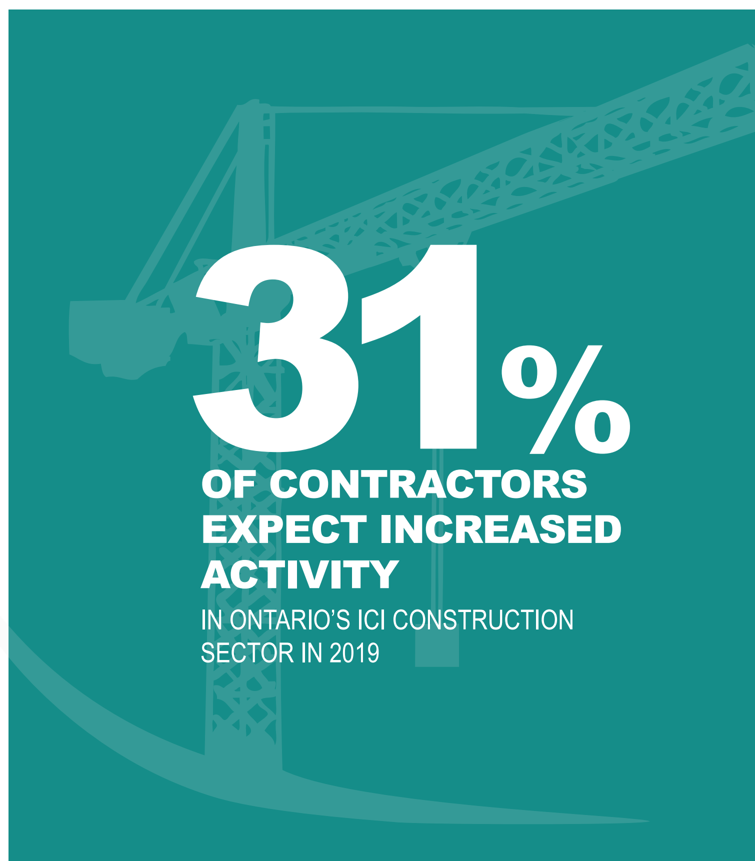
Among contractors who work in the commercial sector (N=438), 29% forecast increased work in the sector this year compared to 25% who expect less. In the high-rise-residential sector (N=204) 32% of contractors anticipate more work, while 29% expect less. Among industrial sector contractors (N=312), 21% foresee more work in the sector in 2019, while 32% anticipate less. Among contractors in the institutional sector (N=244), 23% anticipate more work in 2019 in the sector, compared to 33% who expect to do less. In the engineering/civil sector (N=138), 22% of contractors expect more work, while 28% anticipate less.

Percentage of Contractors Expecting to do More Work in Each Sector Compared to Last Year



Outlook for Construction Activity in Ontario's ICI Sector in 2019

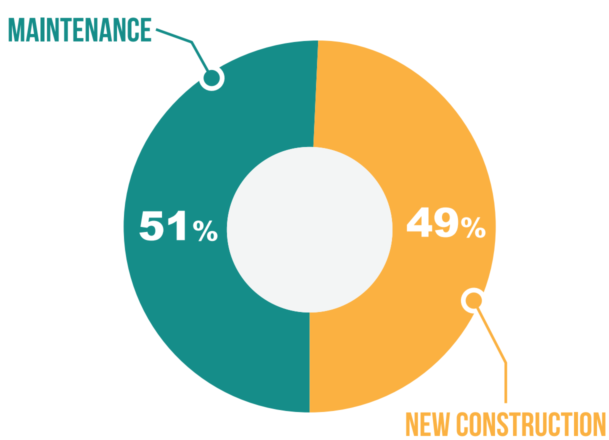
Contractors were also asked for their outlook on Ontario's ICI construction industry overall in 2019. Thirty-one percent (31%) of contractors anticipate that ICI construction activity in Ontario will increase in 2019 compared to last year. Twenty-one percent (21%) of contractors expect the province to see less ICI activity this year, while 45% expect it to stay at the same level.

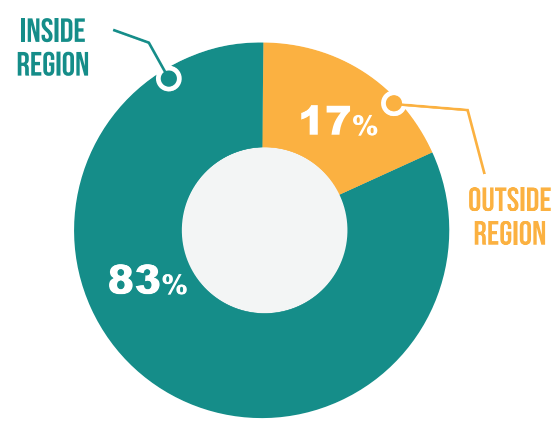


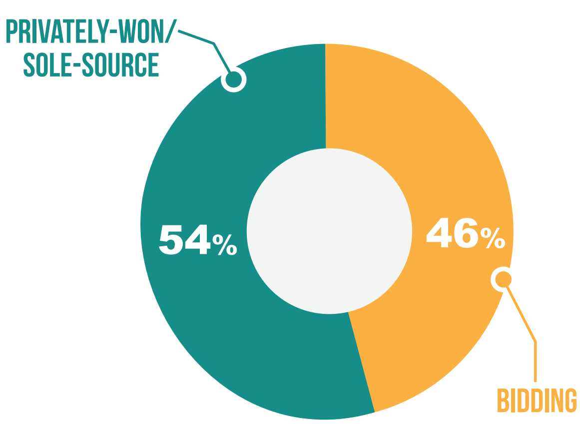
WORK PICTURE FOR 2019

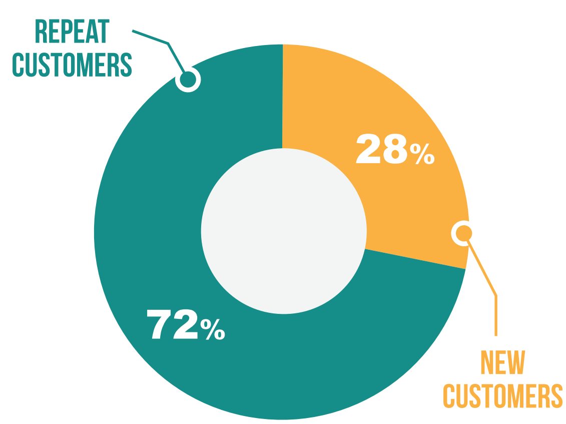
Contractors were asked to estimate their sources of business in 2019 in order to establish an overall work picture for Ontario's ICI construction sector. Just under half (49%) of ICI work in the province is expected to be done on new construction projects, with new construction work accounting for more than half in the Eastern (54%) and Southwestern (52%) regions. Contractors anticipate doing 83% of their work within their own region in 2019, while going outside of their region for 17% of their business.

ICI contractors expect that 46% of their business in 2019 will be won through bidding, compared to 54% won privately or sole-source. In the Northern and Southwestern regions, contractors anticipate winning more than half of their work through bidding (61% and 51%, respectively). In Ontario overall, 72% of ICI contractors' work in 2019 is expected to come from repeat customers, and 28% from new customers. Work from new customers is forecasted to be highest in Northern Ontario at 34%.







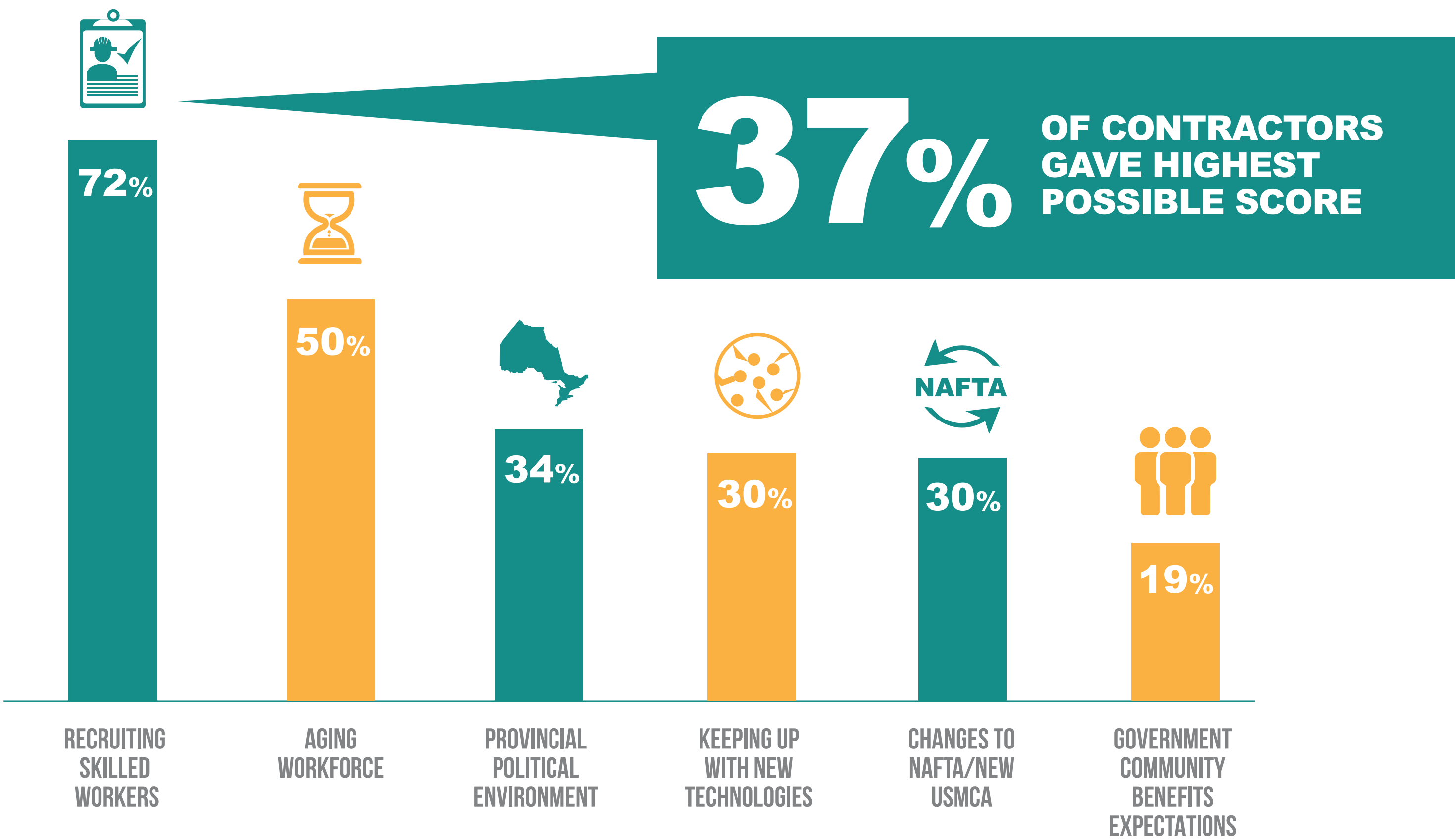


CONSTRUCTION INDUSTRY CHALLENGES

Survey participants were asked to rate a series of challenges in order to establish what Ontario's ICI contractors' greatest concerns are over the coming years. Among these challenges, the biggest concern of contractors is recruiting skilled workers, with 72% indicating that it was a significant concern (a significant concern being a score between 5-7 on a 7-point scale). Furthermore, 37% of contractors assigned recruiting skilled workers the highest possible score (7 out of 7). Aging workforce was the next greatest concern of contractors, with half (50%) indicating that it is a significant concern.

Among the other challenges listed the provincial political environment was rated as a significant concern by 34% of contractors, followed by keeping up with new technologies and changes to NAFTA/USMCA (both 30%), and meeting government community benefits expectations (19%). Thirty-five percent (35%) of contractors gave the lowest possible score to meeting community benefits expectations, meaning that they do not consider it to be a concern at all.

Contractor Concerns (% indicating significant concern over next 3 years)[1]



[1] Percent giving a score between 5-7 out of 7

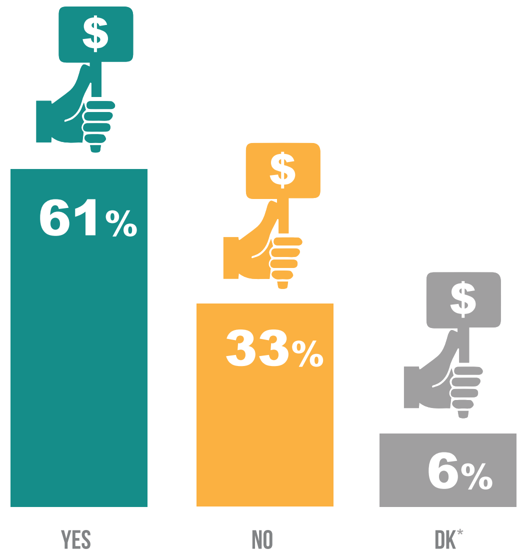
MAJORITY OF CONTRACTORS PREFER PREQUALIFICATION

Construction buyer procurement processes have been the subject of much discussion and debate in Ontario's ICI construction industry in recent months. In order to get a clear understanding of how Ontario's ICI contractors view procurement issues in general, participants in this survey were asked a series of questions about preferences and awareness of some of these issues. Ontario's ICI contractors were also asked for their opinion on the effectiveness and fairness of prequalification, along with the likelihood that they would bid on a project if prequalification was used.

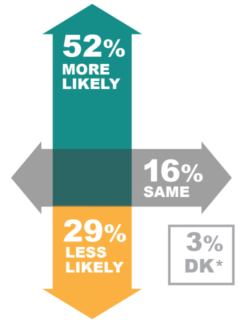
Overall, a clear majority of ICI contractors in Ontario prefer it when government and other organizations use prequalification in their procurement processes, with 61% indicating that they "prefer it when construction buyers use prequalification".[2] One-third (33%) of Ontario's ICI contractors indicated that they did not prefer that construction buyers use prequalification.

Most contractors indicated that they would be more likely to bid on a project if buyers used a prequalification process. Fifty-two percent (52%) of contractors said they would be more likely to bid if prequalification were used instead of open bidding, while 29% said that they would be less likely.[3] Majorities of contractors also said that prequalification is both more effective, and more fair than open bidding. Fifty-three percent (53%) of contractors indicated that prequalification was more effective than open bidding at ensuring buyers select the best bid, and 28% said that it was not.[4] With regard to the fairness of prequalification, 52% thought that the process was fairer to bidders than open bidding, while 27% indicated that it was less fair.[5]

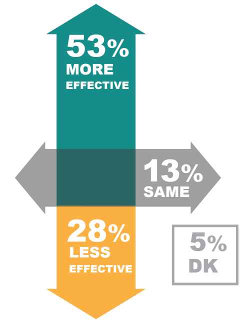
Do You Prefer it When Construction Buyers Use Prequalification?



Likelihood of Bidding if Prequalification Used Instead of Open Bidding



Perceived Effectiveness of Prequalification Compared to Open Bidding



Perceived Fairness of Prequalification Compared to Open Bidding

2 Question Wording: "Some governments and organizations use prequalification as part of their procurement process. When it comes to the bidding process, do you prefer it when construction buyers use prequalification?"

3 Question Wording: "If a construction buyer were using prequalification as part of its procurement process, would your firm be more or less likely to bid on it?"

4 Question Wording: "Compared to a traditional open bidding process, is prequalification a more or less effective process for ensuring construction buyers select the best bid?"

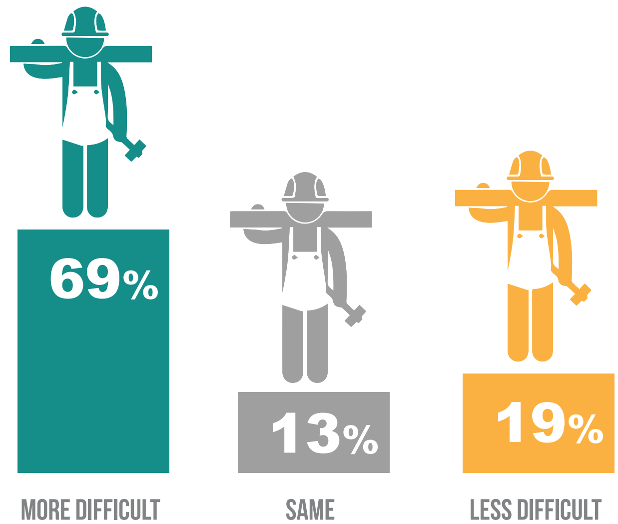
5 Question Wording: "Does prequalification make the procurement process more or less fair to bidders, on a 7-point scale where 7 means much more fair, and 1 means much less fair?"

* DK = Don't Know

SKILLED LABOUR CHALLENGES

This year's survey included an in-depth assessment of the impact on Ontario's ICI contractors of perceived skilled labour shortages, and likely remedies to skilled labour shortages that contractors could undertake. When asked to forecast, more than 2/3 (69%) of contractors said that are expecting it to be more difficult to access skilled labour in 2019 compared to last year, while 19% expect that it will be less difficult. With regard to the extent that contractors have been affected by skilled labour shortages, 62% indicated that they had experienced labour shortages in the past three years.

Difficulty in Accessing Skilled Labour in 2019 Compared to Last Year[6]



Contractors who had experienced skilled labour shortages in the past three years were given an additional series of questions to gain a deeper understanding of how skill shortages had impacted their firms. Percentages in this series are based on the group of contractors that reported shortages (N=308).

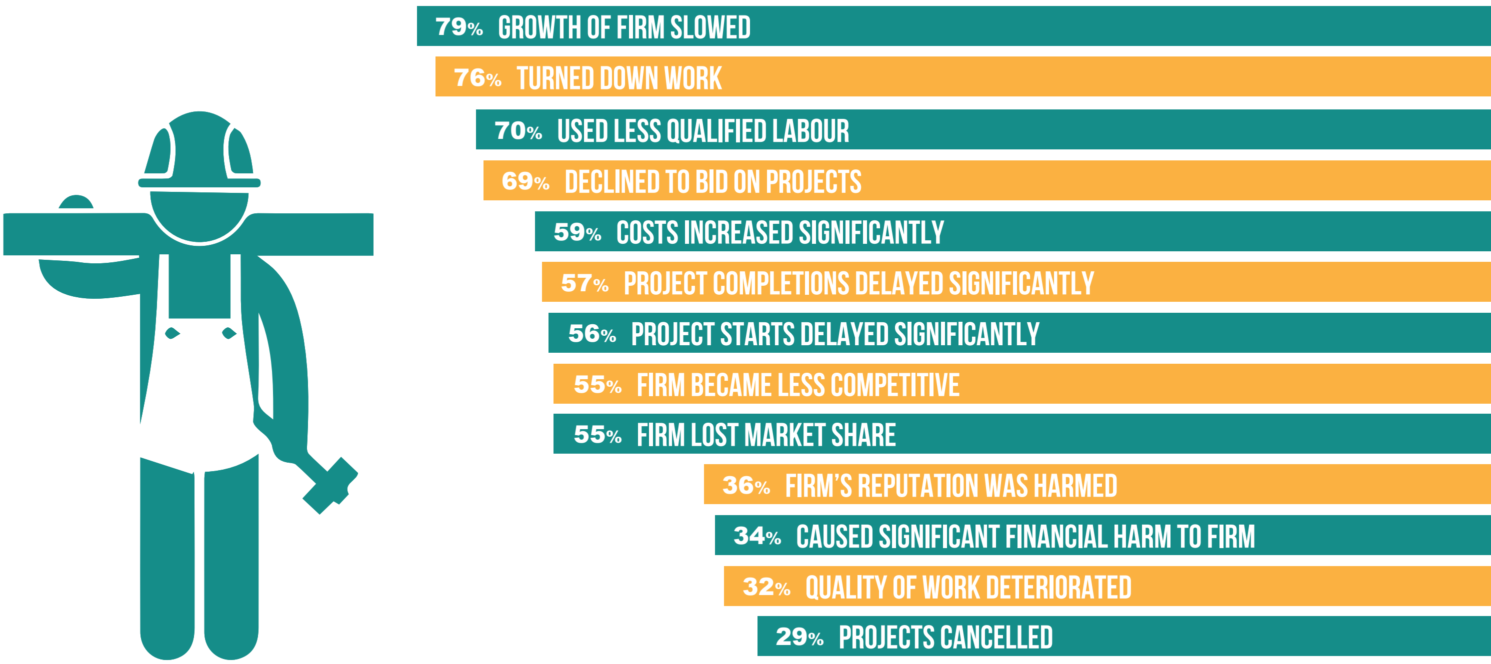
Among contractors who had experienced skilled labour shortages, the most wide-spread impact was on the growth of firms, with 79% indicating that their firm's growth had slowed because of skills shortages. About three-quarters (76%) of contractors said that they'd turned down work because of skilled labour shortages, while 69% declined to bid on projects that they would normally have bid on. Seventy percent (70%) of contractors said that they'd resorted to using less qualified labour.

Other impacts identified by more than half of these contractors were significant increases in project costs (59%), significant delays in project completions (57%) and project starts (56%). More than half of the contractors said that skilled labour shortages had made them less competitive, and that shortages contributed to their firm losing market share (both 55%).

Lesser impacts of skilled labour shortages were harm to reputation of firm (36%), significant financial harm to firm (34%), deterioration in quality of work (32%), and project cancellation (29%).

[6] N=480

How Contractors Have Been Impacted by Skilled Labour Shortages in Past 3 Years (% Yes)[7]



The entire group of contractors was then asked to rate potential remedies to skilled labour shortages based on the likelihood that their firm would adopt each approach over the next three years.[8] To enable a detailed comparison, contractors were asked to provide scores on a seven-point scale, and the mean scores have been reported here.

Among the potential solutions, the most likely to be adopted by contractors in the next three years is deploying workers more efficiently (mean score of 4.3 out of 7). Other solutions that are relatively more likely to be adopted by contractors include using new technologies (4.2), hiring more apprentices, and raising wages (both 4.0). Potential solutions with moderate likelihood of adoption include new recruitment methods (3.7), bidding on different types of projects (3.6), requiring more overtime work (3.6), and offering workers more benefits (3.2). Potential remedies that are relatively less likely to be adopted include automating processes (2.7), recruiting from other regions (2.7), using prefab or modular construction (2.4), and using temporary employment agencies (2.3).

SOLUTIONS CONTRACTORS MOST LIKELY TO ADOPT

7 N=308
8 N=479

METHODOLOGY

The OCS Contractor Survey 2019 is designed to gauge ICI contractors' expectations for their businesses and Ontario's ICI construction industry in 2019. The survey was conducted via telephone with 500 ICI contractors from across Ontario in January-February 2019. The margin of error for a sample of 500 is +/-4.38%, 19 times out of 20. Seventy percent (70%) of the contractors surveyed were trade contractors and 26% were general contractors. The regional breakdown was as follows: Central Ontario 25%; GTA 38%; Eastern Ontario 16%; Southwestern Ontario 13%; Northern Ontario 9%.

ABOUT THE ONTARIO CONSTRUCTION SECRETARIAT

The Ontario Construction Secretariat (OCS) represents the collective interests of the unionized construction industry in Ontario's industrial, commercial and institutional construction sector. A joint labour-management organization, OCS is dedicated to enhancing Ontario's unionized ICI construction industry by developing relationships, facilitating dialogue and providing value-added research. Our stakeholders include the twenty-five unionized construction trades and their contractor partners.

2019 Contractor SURVEY

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