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# Aboriginal Construction Requirements in Canada to 2010

## Participation of Aboriginal Canada in the Construction Industry

Aboriginal Canada Construction Expo '95

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# Canada
## Total Construction Activity By Structure Type
## (Millions of 1986 Constant Dollars)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Per cent of Total | | | | | |
| Total Construction | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Building Construction | 53.16 | 53.17 | 52.32 | 52.53 | 53.83 | 54.67 | 55.07 | 54.51 | 53.86 | 53.59 |
| Residential Building | 31.41 | 34.51 | 33.92 | 33.78 | 34.21 | 34.24 | 33.91 | 33.57 | 33.42 | 33.73 |
| Nonresidential Building | 21.75 | 18.67 | 18.40 | 18.75 | 19.62 | 20.43 | 21.16 | 20.94 | 20.43 | 19.85 |
| Industrial | 2.64 | 1.86 | 1.79 | 2.18 | 2.71 | 3.19 | 3.44 | 3.55 | 3.54 | 3.51 |
| Commercial | 11.82 | 9.89 | 9.53 | 9.22 | 9.64 | 10.46 | 11.07 | 10.80 | 10.37 | 9.87 |
| Institutional | 4.56 | 4.72 | 4.78 | 5.03 | 4.94 | 4.39 | 4.17 | 4.10 | 4.04 | 4.05 |
| Other | 2.72 | 2.19 | 2.30 | 2.31 | 2.33 | 2.39 | 2.47 | 2.49 | 2.47 | 2.43 |
| Engineering Construction | 29.73 | 28.74 | 28.70 | 28.98 | 28.66 | 28.17 | 28.05 | 28.79 | 29.52 | 29.67 |
| Roads and Heavy | 10.47 | 10.29 | 11.01 | 11.71 | 11.48 | 10.22 | 9.80 | 9.68 | 9.49 | 9.36 |
| Highway, Road, and Street | 4.90 | 4.97 | 5.38 | 5.97 | 5.81 | 4.86 | 4.50 | 4.42 | 4.35 | 4.32 |
| Water and Sewer | 2.37 | 2.42 | 2.66 | 2.91 | 2.93 | 2.56 | 2.44 | 2.40 | 2.36 | 2.34 |
| Marine Work | 0.42 | 0.42 | 0.45 | 0.47 | 0.45 | 0.41 | 0.39 | 0.39 | 0.39 | 0.38 |
| Dams and Irrigation | 0.37 | 0.29 | 0.29 | 0.31 | 0.31 | 0.29 | 0.29 | 0.29 | 0.29 | 0.29 |
| Railway and Telephone | 2.40 | 2.19 | 2.23 | 2.05 | 1.97 | 2.10 | 2.17 | 2.18 | 2.10 | 2.03 |
| Engineering | 19.27 | 18.45 | 17.69 | 17.27 | 17.18 | 17.95 | 18.25 | 19.11 | 20.02 | 20.31 |
| Electric Power | 6.63 | 7.82 | 7.20 | 6.57 | 6.22 | 6.32 | 6.30 | 6.75 | 7.16 | 7.08 |
| Gas and Oil | 9.37 | 7.76 | 7.40 | 7.18 | 7.50 | 8.23 | 8.56 | 8.92 | 9.39 | 9.74 |
| Other | 3.27 | 2.87 | 3.08 | 3.51 | 3.46 | 3.40 | 3.40 | 3.44 | 3.48 | 3.48 |
| Total New Construction | 82.90 | 81.91 | 81.02 | 81.51 | 82.49 | 82.84 | 83.12 | 83.30 | 83.37 | 83.26 |
| Total Repair Construction | 17.10 | 18.09 | 18.98 | 18.49 | 17.51 | 17.16 | 16.88 | 16.70 | 16.63 | 16.74 |

Note: Based on Construction in Canada
Sources: Statistics Canada and Informetrica Limited

# The Investment Outlook

(billions of $)

| | 91-95 | 96-00 | 01-05 | 06-10 |
|---|---|---|---|---|
| Investment | 670 | 859 | 1,107 | 1,394 |
| M&Eqpt | 233 | 313 | 416 | 551 |
| Construction | 437 | 546 | 691 | 843 |
| Residential | 217 | 269 | 344 | 436 |
| Business | 154 | 201 | 255 | 297 |
| Govt. | 66 | 76 | 92 | 110 |

In the next ten years there will be $2 trillion in total investment (new construction and machinery and equipment). In the next 15 years, there will be $3.36 trillion of investment in Canada.

Of this 15-year amount, construction will account for $2.1 trillion, with residential construction of $1,049 billion and non-residential of $1,031 billion.

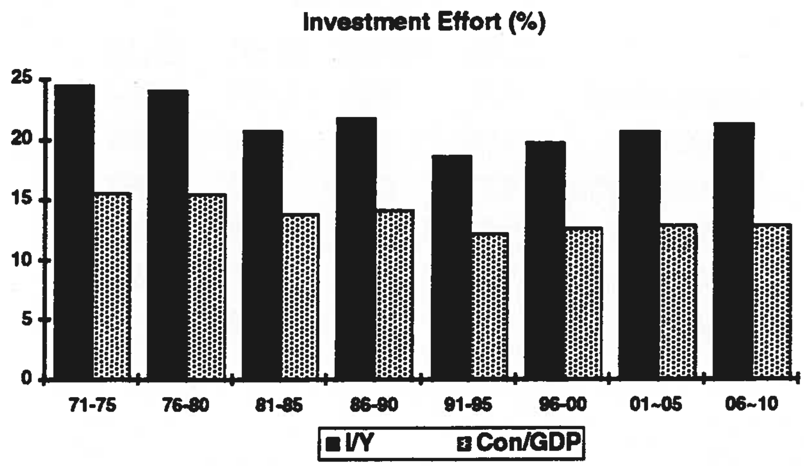
Construction activity per year by aboriginal firms is currently about $1 billion per year. If we maintain current shares then this will double the number over the next fifteen years. This translates into $25 billion over this period, or still about 1.2% of the total construction activity.

A target of 2% of the business would mean about $40 billion over this period, or an annual level of business revenue of about $2.7 billion.

Of course, no one is going to give this business to a particular group. The challenge will be to earn it, through the delivery of high-quality construction services.

Are the overall numbers too optimistic?

## Adequacy of Investment?




The levels of investment in the forecast are not particularly high, relative to past shares of investment to GDP. Nor have we included a large number of major projects in the resource sector.

In other words, there is upside potential in these numbers.

## Aboriginal Construction Firms

**Number of Businesses - 3,300 'expected'**
**range of 3,025 to 3,580**

| Location | Businesses | Population(adult) |
|---|---|---|
| Atlantic | 3.2% | 3.8% |
| Quebec | 6.1% | 9.7% |
| Ontario | 18.7% | 19.1% |
| Prairies | 39.3% | 44.2% |
| B.C. | 27.2% | 16.9% |
| Yukon/NWT | 5.7% | 6.1% |
| On-Reserve | 17.5% | 26.3% |
| Off-Reserve | 82.5% | 73.7% |

There are about 3,300 aboriginal construction firms in Canada, although no formal register. (This estimate is based on a study done by Informetrica Limited for INAC, **Aboriginal Construction Industry Capability Study**.)

The regional distribution of construction firms is similar to the distribution of the adult Aboriginal population. BC appears to have more firms than might be expected, and Quebec and the Prairies somewhat less.

## Lines of Business

- **60% specialize in trade contracting**
- **35% specialize in building and engineering contracting**
- **5% specialize in services incidental to construction**

The kinds of contractors is similar to that found in the national industry.

The dominance of trade contractors makes the subcontracting activity an important part of the business as well.

## Share of National Industry

| | (%) # | ET | $ MN |
|---|---|---|---|
| **Atlantic** | **1.1** | **1.0** | **0.7** |
| **Quebec** | **0.8** | **0.6** | **0.3** |
| **Ontario** | **1.5** | **1.0** | **0.5** |
| **Prairies** | **7.2** | **5.7** | **3.3** |
| **B.C./Yukon/NWT** | **6.7** | **7.0** | **3.5** |
| **Canada** | **3.2** | **2.3** | **1.2** |

The aboriginal construction industry is 3% of the number of construction firms in Canada, with 2% of the employees and about 1% of the revenue.

However, it is much more important in the Prairies and BC+Territories, accounting for about 7% of the firms and employees and 3.4% of the revenue.

## Relative Measures

| | Aboriginal | National |
|---|---|---|
| • FTE Employees/Bus | 3.7 | 5.2 |
| • $ per employee | $83,400 | $167,000 |
| • Debt / Equity | 1.8 | 4.3 |
| • Quick ratio | 1.3 | 1.1 |
| • Return on Equity | 21.6% | 3.6% |
| • Profit Margin | 7.2% | 6.7% |

The typical or average aboriginal firm is smaller (3.7 employees versus 5.2), with about half the revenue per employee. This means that the revenue per firm is about 35% of the national average.

Aboriginal firms are less leveraged, in better financial shape, with higher returns on equity and slightly higher profit margins. Whether this is good management or the result of banks unwillingness to allow the firms to expand is less clear.

## Firm Actions

- Take advantage of new technologies
- Train yourself and staff
- Look beyond your community
- Try new organizational forms - strategic alliances, JVs, "partnerships"
- You are as good as your employees
- Adopt apprenticeship programs
- Insist on the best training
- Work with the Construction Trades

The primary determinant of business success for any firm is the leadership and actions taken by the management The actions noted here are likely to lead to success.

Of course, there is an old saying that "No Amount of Planning will Replace Dumb Luck."

## Regional Markets

- There is business in every jurisdiction
- Major projects occur in every province
- Many projects are small - housing, repair, and subcontracting
- Look under every stone - governments, businesses, individuals

In the handout material there is a distribution of types of construction over time. The shares are fairly stable.

We monitor about 1,000 large capital projects on an on-going basis, **Canadian Capital Projects**. Again the distribution of currently active projects shows a great variety by region and by purchasing industry.

Repair construction accounts for about 17% of the total construction dollar, or 20% in addition to the new construction dollar.

# POLICY AND PROGRAM RECOMMENDATIONS

## 1. Reduce Barriers to Bonding

- offer financial contributions to Aboriginal businesses
- waive bonding requirement
- assist in establishing Aboriginal bonding institutions
- promote innovative tripartite partnerships

## 2. Improve Access to Working Capital

- modify existing federal programs
- increase access to Aboriginal trust companies
- allocate a share of land claim settlements to trust funds or other instruments
- offer special accommodations for advance contract payments, milestone payments and long term project financing

## 3. Aboriginal Preference in Contracting

- maintain principles of competition and value-for-money
- promote standards of certification
- establish a national registry of Aboriginal businesses

# POLICY AND PROGRAM RECOMMENDATIONS

## 4. Promote Access to Contract Opportunities

- o assist companies with OBS access
- o encourage membership in construction associations
- o apply federal procurement measures to all federal agencies and crown corporations
- o include all federal contracts in OBS
- o administer all federal contracts under one procurement system

## 5. Support Management Training

- o promote enrollment in engineering, architectural and business schools
- o encourage joint-partnerships through federal contracting
- o privatize some federal project management functions
- o support 'mentor-protégé' relationships

## 6. Assist With Marketing and Bid Preparation

- o support training programs directed at identifying contracts, preparing bids, cost estimation, negotiations, evaluations
- o workshops, conferences and service offices
- o 1-800 lines, bulletin boards

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## Major Capital Projects
## by Investor and Province/Region, 1994-2010
## Millions of Dollars

| | Atlantic Canada | Quebec | Ontario | Manitoba | Sask. | Alberta | B.C. | Yukon/ N.W.T. | Multi-Reg. | Canada Total Value | Canada No. of Projects | Canada Avg. Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 17,137 | 27,227 | 18,309 | 12,996 | 1,422 | 13,972 | 15,832 | 493 | 33,976 | 141,365 | 453 | 312 |
| Metal Mining | 152 | 50 | 52 | 0 | 620 | 0 | 1,431 | 273 | 0 | 2,577 | 22 | 117 |
| Non-metal Mining | 353 | 0 | 0 | 602 | 0 | 0 | 0 | 0 | 0 | 954 | 3 | 318 |
| Coal Mining | 0 | 0 | 0 | 0 | 0 | 0 | 184 | 0 | 0 | 184 | 2 | 92 |
| Oil and Gas | 2,148 | 0 | 0 | 0 | 0 | 6,452 | 26 | 0 | 0 | 8,626 | 9 | 958 |
| Manufacturing | 1,809 | 2,912 | 1,199 | 136 | 326 | 1,940 | 2,528 | 0 | 0 | 10,850 | 65 | 167 |
| Construction | 0 | 0 | 90 | 0 | 0 | 0 | 0 | 0 | 0 | 90 | 1 | 90 |
| Transportation | 30 | 175 | 1,192 | 0 | 0 | 894 | 927 | 0 | 19,957 | 23,175 | 24 | 966 |
| Storage | 112 | 0 | 0 | 0 | 0 | 0 | 123 | 0 | 0 | 234 | 4 | 59 |
| Communication | 300 | 107 | 0 | 252 | 0 | 0 | 0 | 0 | 11,275 | 11,935 | 7 | 1705 |
| Utilities | 9,039 | 19,093 | 3,142 | 11,029 | 198 | 2,658 | 3,578 | 147 | 35 | 48,919 | 106 | 461 |
| Trade | 45 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 45 | 1 | 45 |
| Commercial Services | 302 | 447 | 670 | 356 | 15 | 1,300 | 1,543 | 0 | 0 | 4,632 | 40 | 116 |
| Real Estate Operators | 756 | 3,578 | 7,316 | 0 | 85 | 624 | 2,348 | 28 | 0 | 14,733 | 66 | 223 |
| Institutional Services | 196 | 257 | 475 | 25 | 137 | 0 | 822 | 45 | 0 | 1,956 | 34 | 58 |
| Government | 1,897 | 609 | 4,175 | 597 | 41 | 105 | 2,322 | 0 | 2,708 | 12,456 | 69 | 181 |

### Per Cent of Total

| | Atlantic Canada | Quebec | Ontario | Manitoba | Sask. | Alberta | B.C. | Yukon/ N.W.T. | Multi-Reg. | Canada Total Value | Canada No. of Projects | Canada Avg. Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | n.a. |
| Metal Mining | 0.88 | 0.18 | 0.28 | 0.00 | 43.60 | 0.00 | 9.04 | 55.34 | 0.00 | 1.82 | 4.86 | n.a. |
| Non-metal Mining | 2.06 | 0.00 | 0.00 | 4.63 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.67 | 0.66 | n.a. |
| Coal Mining | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.16 | 0.00 | 0.00 | 0.13 | 0.44 | n.a. |
| Oil and Gas | 12.53 | 0.00 | 0.00 | 0.00 | 0.00 | 46.18 | 0.16 | 0.00 | 0.00 | 6.10 | 1.99 | n.a. |
| Manufacturing | 10.56 | 10.69 | 6.55 | 1.05 | 22.95 | 13.88 | 15.97 | 0.00 | 0.00 | 7.67 | 14.35 | n.a. |
| Construction | 0.00 | 0.00 | 0.49 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.22 | n.a. |
| Transportation | 0.18 | 0.64 | 6.51 | 0.00 | 0.00 | 6.40 | 5.85 | 0.00 | 58.74 | 16.39 | 5.30 | n.a. |
| Storage | 0.65 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.78 | 0.00 | 0.00 | 0.17 | 0.88 | n.a. |
| Communication | 1.75 | 0.39 | 0.00 | 1.94 | 0.00 | 0.00 | 0.00 | 0.00 | 33.19 | 8.44 | 1.55 | n.a. |
| Utilities | 52.75 | 70.13 | 17.16 | 84.86 | 13.95 | 19.02 | 22.60 | 29.80 | 0.10 | 34.60 | 23.40 | n.a. |
| Trade | 0.26 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.22 | n.a. |
| Commercial Services | 1.76 | 1.64 | 3.66 | 2.74 | 1.03 | 9.30 | 9.75 | 0.00 | 0.00 | 3.28 | 8.83 | n.a. |
| Real Estate Operators | 4.41 | 13.14 | 39.95 | 0.00 | 5.97 | 4.46 | 14.83 | 5.68 | 0.00 | 10.42 | 14.57 | n.a. |
| Institutional Services | 1.14 | 0.94 | 2.59 | 0.19 | 9.60 | 0.00 | 5.19 | 9.18 | 0.00 | 1.38 | 7.51 | n.a. |
| Government | 11.07 | 2.24 | 22.80 | 4.59 | 2.91 | 0.75 | 14.67 | 0.00 | 7.97 | 8.81 | 15.23 | n.a. |

Source: Major Capital Projects, Informetrica Ltd.

Notes: Major Capital Projects include announced, proposed and approved projects for 1994-2010.