Identifying Market Opportunities
Water and Wastewater Treatment Plants

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Identifying Opportunities

- **How do we effectively identify emerging markets?**
- **How can we track whether a market is at its peak?**
- **Are you getting your ‘fair share’?**

In-depth Market Analysis

Market Analysis

- Ontario Construction Secretariat
- Statistics Canada
  - Building Permits
  - Labour Force Survey
  - 2006 Census
- Construction Sector Council
- Reed Construction (Canadata)
- Financial Institutions

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Investment Opportunities?

- **Construction investment has been steadily growing for more than 10 years but pace is expected to slow.**
- **Short-term uncertainty that may impact construction investment.**
  - US economy, Canadian $, oil prices
- **Construction investment**
  - water and wastewater
  - power facilities (Darlington)
  - hospitals (building infrastructure)
  - bridges, roads and highways

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Water and Wastewater

- an aging infrastructure
- significant investment over the next 15 years
- Could range between $1 – 2 billion per year with an initial focus on the large urban areas
- non-union contractors are successfully bidding and winning these projects
- Union used to have a strong presence
  - some trades still do

WWTP Assessment

- Near and long term growth opportunities
- Need a better understanding of recent trends and challenges
- Who are the key players? Why?

Scope of Work

- In-person and phone interviews with select contractors and trade unions.
- Phase 1 - general contractors active and not active in the water and wastewater sector.
- Phase 2 - selected trade contractors and labour groups.

Over 30 industry leader interviews

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Industry's Perspective on:

- Recent market trends.
- Why are some contractors becoming more successful in the market?
- What are the challenges in bidding and winning water and wastewater projects? (e.g., size of project, location, company capacity, market expertise, project staging, availability of trade contractors / skilled labour, project financing, pre-qualification conditions, etc)
- How can these challenges be addressed?
- What can unionized contractors do to re-capture lost market share?

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WWTP Overview

A review of over 300 recent WWTP projects representing $2 billion of investment revealed:

- A majority of the work is being done by a small group of contractors – the top 20 contractors account for 70% of the total value.
- There has been an increasing presence of larger projects ($50m+).

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WWTP Overview

- Larger projects appear to be dominated by a select group of contractors, in particular North America Construction Ltd. (NAC) and Kenaidan.
- Recent distribution of spending has been primarily concentrated in large urban centres in the GTA, central and southwestern regions.

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Key Players (2002 – 2008)

Contractor Name	Total ($)	No. of Proj
North America Const (1993) Ltd	648,669,793	22
Kenaidan Contracting Ltd	484,713,000	12
Alberici Ltd *	156,149,000	2
Bennett Contr / Bennett Mech *	141,985,900	11
King City Group Ltd	139,128,174	7
Maple Reinders	114,315,000	20
Detra Builders Inc	114,294,753	25
HIRA Ltd	94,567,684	15
Pomerleau Inc *	83,100,000	1
Torbear Contracting Inc	82,099,670	3
Bondfield Const Co Ltd *	80,833,300	2
Stone Town Const Ltd	67,337,256	14
Ellis-Don Construction Ltd *	65,767,290	2
The John Hayman & Sons Co Ltd *	64,553,830	7
ASCO Construction Ltd	52,074,994	9
Peak Eng & Const Ltd	50,374,242	19
Wellington Const Ltd	47,460,672	24
Thomas Fuller Const Co (1958) *	41,390,121	5

*** Indicates contractor is signature to one or more ICI collective agreement**

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Key Players (2007/08)

- **Estimated $1.0 Billion awarded**
- **5 contractors accounted for 70%**

Contractor Name	Total ($)	No. of Proj	
North America Const (1993) Ltd	232,346,480	3	
Kenaidan Contracting Ltd	208,377,000	3	
Alberici Ltd *	135,000,000	1	**
King City Group Ltd	75,569,870	2	
Bennett Mech Installations Ltd *	54,568,000	3	
Total:	705,861,350		

*** Indicates contractor is signature to one or more ICI collective agreement**
**** Estimated based on a recent 'low bid' announcement.**

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Primary Drivers

- Current work load (all sectors)
- Type of project / experience
- Competition (Who else is bidding?)
- Availability of skilled labour
- Availability of experienced trade contractors

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Primary Drivers

- Quality of the bid documents
- Owner / municipality
  - previous experience
- Consulting engineer / cost consultants
- Who is running the job
  - which municipal department, engineers, inspectors, etc.

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Contractor Work Load

- The volume of institutional work has impacted the number of general and trade contractors available to bid WWTP projects.
- No sign of the level of activity easing off in 2008 or 2009.
- Contractors are keeping an eye on WWTP but as long as there is other ‘preferred work’, their involvement would be limited.

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Experience / Competition

- Project expertise and proven track record is critical for pre-qualifying and winning bids.
- The market is very specialized with key contractors self-performing various aspects of the project – maintaining core crews with expertise.
- Contractors such as North America and Kenaidan specialize in WWTP; performing many components in-house; seen as a big advantage.

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Experience / Competition

- Need for qualified project managers / supervisors / foreman – becoming more difficult to find and retain.

Skilled Labour

- Critical to have contractors and workers that understand the overall system – ‘how it works from start to finish’.
- You need qualified trades people with experience in water and wastewater market – its not a matter of just following the drawings
- No severe shortages but the traditional pools of labour have been diminished to minimum levels causing concerns on the available ‘skills’.
- Emphasis on ‘skill sets not bodies’.

Key Trades

- Key Components
  - Formwork / Concrete
  - Rodwork
  - Mechanical
  - Electrical
- Contractors noted that it is critical for the formwork and mechanical trades to have previous experience on water and wastewater projects
  - know how the 'system' works.

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Quality of Bid Documents

- Tendering process has deteriorated
- Increased volume of work appears to have drawn in less experienced engineering firms and this has impacted the quality of the drawings and pricing (budgets).
- Several addendums are not uncommon prior to submission of bids
- Increased risk

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Challenges

- **Better understanding of unsuccessful bids; it's not always the labour cost.**
- **Declining number of project managers/ supervisors/foreman with skills and experience in WWTP – current workforce is ageing and the long term impact <u>will be</u> significant.**
- **Dealing with poor bid documents.**
- **Low bid mentality.**

Challenges

- **Contractors (general and trade) willingness to bid given other market opportunities; strong non-union WWTP competition; and the high cost of submitting bids with low margins.**
  - in some regions there are no union bids
- **Worker willingness to work WWTP given other opportunities**
- **Future direction must emphasize the importance of key trades and contractors related to WWTP.**

Challenges

- Strength of other markets may limit the opportunity to establish solutions for WWTP – key trades are busy and less willing to make adjustments.
- Non-union contractors have greater flexibility in terms of assigning tasks across work functions; geographic mobility.
- Establishing stronger union partnerships when working outside local areas. To be competitive contractors need to establish better working relationships and flexibility when working outside their area.

Challenges

- Industry is facing productivity issues.
- Industry needs to step back and look at skills development (new entry and upgrade training) and work ethic - job site readiness.
- Only a limited number of contractors with the experience and capacity to bid larger WWTP projects.

Moving Forward

- What can we do to move ahead?
- All parties (contractors and labour) need to recognize the growth opportunity and partner to establish fair solutions to regain market share.
- Establish a Committee to review the challenges and opportunities; make recommendations for action.

Moving Forward

There are many opportunities!

Eastern
+$150 million

Niagara
+$200 million

Kitchener –Waterloo
+$300 million