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Ontario Nuclear Plant RFP Suspended

Our provincial government announced recently the suspension of the competitive RFP to procure two replacement nuclear reactors for the station at Darlington. The decision to sideline the project, anticipated to cost \$26.3 billion, was made after bids from AREVA NP, Westinghouse and Atomic Energy Canada Limited (AECL) were reviewed. Only AECL's bid complied with the terms of the province's request for proposals and project objectives. In rejecting the bids, Energy Minister, George Smitherman allowed that the offers from the three companies were too costly. On hold are the 3,500 construction and engineering jobs expected to be generated by the project over its five year construction period.

Ontario enjoys well diversified sources of electricity including nuclear, hydraulic, and fossil. About half of our electricity is generated by an aging fleet of nuclear reactors at the five existing stations. Most of our nuclear reactors, until recently, were expected to reach the end of their service lives sometime between 2016 and 2021. When not out of service for repair and refurbishing, Ontario's nuclear reactors operate at full capacity, 24/7, providing the majority of the province's base load.

The current economic downturn has caused demand for power to shrink quite significantly, with industrial consumption plunging by as much as 20% in the first three months of 2009 and overall consumption projected to fall by 4% this year and to decline even further in 2010. As we continue to transition to the more energy efficient economy of tomorrow with a greater proportion of knowledge and service based industries, some experts suggest that Ontario will not face a shortage of electricity until sometime after 2015, even as the phase-out of coal-fired generating plants is planned by 2014.

Ontario presently enjoys an abundance of power and current circumstances may give our provincial government some breathing room, time to regroup, develop interim strategies such as redeploying some nuclear generation from base load to peaking production, building new gas-fired generating plants, approving new wind farms, importing power from Quebec and promoting conservation measures.

A subplot to the shelving of the RFP, of course, is the future of AECL and the nuclear industry in Ontario, an issue which has received heightened attention after the extended shutdown of the Chalk River reactor which produces approximately one-third of the world's medical isotopes used in tests to diagnose various and serious illnesses. The purchase of an AECL reactor by Ontario would send a signal to the world that Ontario will continue to be a world leader in the development of nuclear power generation systems. It would also provide a showcase of AECL's newest technology. The federal government, the owner of AECL doesn't appear to have a long term commitment to the company, has refused to provide further funding for the development of the Maple reactor and has indicated its desire to off-load AECL. One has to wonder if AECL will be Canada's next Avro Arrow, another opportunity lost.

We hope what is not lost on our public officials is the fact that Ontario will need significant new generation in the not too distant future and that the lead times for planning and construction of power plants are long. There is little

time for delay. Get moving!

Construction to weather the recession with a soft landing

The Construction Sector Council has released its annual *Construction Looking Forward* report and assessment for 2009-2017. The good news for the industry is that "[c]onstruction labour markets in Ontario will avoid the most severe damage inflicted by the recession, enjoying a soft landing compared to the fate of other industries."

CSC's analysis encompasses a recession period (2009-2011) and a recovery period (2012-2017) with the lion's share of industry growth attributed to government stimulus investment in 2009 and 2010, trailing off in 2011 and 2012 as these programs conclude.

While broader industry employment is projected to net 1,000 new jobs between 2009 and 2011 (the residential sector is expected to lose 16,000 jobs while the non-residential sector is expected to gain 17,000 jobs), it is important to note that job growth will occur unevenly across the province in specific trades and in specific geographic regions. The GTA is expected to enjoy the majority of industry job growth during the recession period while activity in other regions is expected to continue to decline. However, as government stimulus programs wind down in 2011 it is expected that all regions will see declines in employment levels. It is also important to note that any jobs created during this time will require a mobile workforce. Mobility will be the most important factor for some specific trades to head off tight talent supply.

The post-recession growth period of 2012-2017 is expected to be characterized by growth across all sectors of the Ontario construction economy. However, anticipated investment in new nuclear and other electrical generation facilities are expected to dominate projects and will see major project work located in the GTA.

Growth in the construction workforce during this time is expected to average 2.7% annually, with a peak of 5% in 2014 while overall Ontario workforce growth will slow to 1% or less. However, at the latter end of the 2012-2017 period construction will be confronted with having to replace an increasing number of retiring workers. By 2017 it is expected that the average annual replacement rate for construction will be 2.7%, translating into recruiting and training rates of 5-10% of the workforce at peak employment demand periods.

Overall, non-residential construction is expected to enjoy an average employment growth rate of 2.4% from 2009-2017; good news when compared to the vast majority of the rest of the Ontario economy.

The complete CSC *Construction Looking Forward* report is available on our website at www.coca.on.ca. If you have any questions about this report or other industry issues, please contact David Zurawel at dzurawel@coca.on.ca or 416-968-7200 ext. 223.

Amending Construction Lien Act Remains Members' Highest Priority

Over the last month members of the COCA staff have had the opportunity to get out of the office and into the field to visit with COCA's broad and diverse membership at board meetings, golf tournaments and other industry events across the Province. In our discussions with contractors everywhere, one thing is very clear; amending the Construction Lien Act must remain COCA's highest priority. There are an incredible number of public policy initiatives currently underway that will impact on the construction industry; like the flow of economic stimulus funds, the sustainability of the WSIB and the changes to its various services and programs, the merger of the CSAO with other safety associations, the harmonization of PST and GST, the creation of the College of Trades, and the legislation that will allow workers and professionals trained in other provinces to work in Ontario. Above all of these important issues, our members are telling us strongly, consistently and unequivocally that the Construction Lien Act must be amended. The Construction Lien Act is an anachronism; it hasn't been updated since 1990 and must be modernized. It is administered by the Ministry of the Attorney General and COCA is working closely with officials there to advance this most important issue.

Hudak Wins PC Leadership

Frontrunner from the outset of the race, Niagara West-Glanbrook MPP Tim Hudak prevailed to win a third ballot victory and claim the leadership of the Ontario PC Party. Hudak polled 5,606 electoral votes (each of Ontario's 107 ridings is assigned electoral points or electoral votes based its number of members) of the 10,250 up for grabs on the third round of calculations, besting Newmarket-Aurora MPP Frank Klees, Whitby-Oshawa MPP Christine Elliott and Lanark-Frontenac-Lennox and Addington MPP Randy Hillier. In the Party's one member-one vote system, 25,429 members from the total membership of approximately 43,000 made the effort to go to voting stations and cast their votes. It is thought by many pundits that the right leaning Hudak will present the voters of Ontario with a clear contrast to Premier Dalton McGuinty in the next provincial election scheduled for 2011.

May Building Permits Top \$5 Billion

After a 5.4% decline in April, permit values increased 14.8% in May, topping the \$5 billion mark for the first time since October 2008. Provincially the main contributing factors were increases in multi-family dwelling permits in Ontario and institutional permits in Alberta and Ontario.

Within the non-residential sector, the value of permits increased 15.3% to \$2.4 billion, a sharp contrast to April's 22.1% decrease. The gain was mainly the result of increases in the institutional component in Alberta and Ontario.

The value of institutional permits increased 47.9% to \$913 million following a 16.3% decrease in April. Construction intentions for medical buildings in Alberta and educational buildings in Ontario led the increase.

Industrial permit values rose 7.3% to \$346 million, the third increase in as many months. The increase was led by Quebec and British Columbia, while New Brunswick and Nova Scotia experienced the largest monthly declines.

The commercial component of the non-residential construction sector remained virtually unchanged in May at \$1.1 billion (-0.3%).

The increase in building permit values was unexpected; many analysts had expected a decline by as much as six percent. The pace of activity is not expected to continue given still weak economic conditions.

Kit Helps Employers Prevent Employee Heat Stress

Anticipating warmer summer weather ahead, the Occupational Health and Safety Council of Ontario and the WSIB have just produced a Heat Stress Awareness Kit complete with an employer guide booklet, a neat little heat stress awareness tool and a poster. Heat stress can harm or even kill people working under very hot conditions. Construction employers should be aware of the dangers of heat stress and should take appropriate precautions to protect employees. The guide book summarizes the causes, symptoms and treatment of heat stroke related illness, presents a five step approach for using the Humidex to assess heat stress hazards and outlines specific actions for managing and controlling heat stress. Copies are available through the [CSAO](#).

New Executive Director Appointed to TTMGO

The Board of Directors recently announced the appointment of David Montisano to the position of Executive Director of the Terrazzo, Tile & Marble Guild of Ontario, Inc., the Terrazzo, Tile & Marble Trade School and The Toronto & District Marble, Tile & Terrazzo Contractors' Association, effective June 15, 2009.

In a six-year stint in the construction industry, Mr. Montisano was the General Manager of the Residential Framing Contractors' Association of Toronto & Vicinity, and negotiated two Collective Agreements with the Universal Workers Union L.I.U.N.A. Local 183.

He has extensive experience in governance issues gained as a consultant to both national and international public and private companies. He also worked with the gaming industry in Ontario and was directly involved in the development of an industry structure for the electronic Bingo initiative for OLG, including developing roles, rules and responsibilities for all stakeholders.

David looks forward to connecting with all members of the Guild and all other signatory terrazzo, tile and natural stone contractors.

"It is critical for us to increase our membership and speak as a united front on issues relevant to the industry," he said. "We need to promote the benefits of membership to current members and encourage non-members to join by focusing on the value proposition that membership in this organization brings:

- A strong voice for the industry at all levels of government as well as representation of members' concerns and issues regardless of size or geographic area.
- Fostering and building a strong relationship with our partners, most importantly the Brick and Allied Craft Union of Canada and Ontario Provincial Conference (IUBAC)."

Mr. Montisano holds a B.A.-Economics (York University) and an M.B.A.-

Finance/Marketing from the Schulich School of Business.

He is a recipient of the Gil Samson award as a member of Labour-Management Health and Safety Committee, Construction Safety Association of Ontario, for outstanding contribution in health and safety.

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Ministry of Labour Update

Unofficial figures from the Ministry of Labour show 5 fatalities and 61 criticals for the period January 1 to May 31, 2009 compared to 8 fatalities and 63 criticals for the same period a year earlier. Of serious concern are the 10 critical injuries involving young workers in May and June of this year alone. It may suggest that young workers are not being given proper orientation or are not being adequately supervised. Studies show that young workers are most likely to be injured during the first 30 days of a new job. It's not too late to provide your young workers and your summer hires with proper orientation to help them stay safe on the job.

ROB Top 1000 Rankings Include Construction Companies

The 25th anniversary issue of Report on Business Magazine, that came with the June 26th Globe & Mail, featured rankings of the Top 1000 Canadian companies. Several construction/engineering companies appeared in the various categories listed.

Among construction companies, SNC Lavalin Group was listed as largest with revenues of \$7,136,606,000 (Dec 08) followed by PCL Construction Group with \$6,000,000,000 (Oct 08), Ledcor Group of Companies with \$2,514,000,000 (Aug 08), Ellis Don Inc with \$2,399,212,000 (Feb 09), Aecon Group with \$1,886,547,000 (Dec 08), Graham Group with \$1,632,000,000 (Dec 08), Jacobs Engineering Canada with US\$1,593,009,000 (Sept 08), Fluor Canada with US\$1,008,000,000 (Dec 08), Bird Construction Income Fund with \$1,039,420,000 (Dec 08) and Churchill Corp with \$849,915 (Dec 08).

In the rankings of publicly traded Canadian companies by profit, SNC Lavalin Group led construction/engineering sector at 63rd, up from 109th in 2007 with profits of \$312,520,000. At 176th was Bird Construction Income Fund with profits of \$60,860,000 up from the 235th position in 2007. Close behind was Aecon at 179th, up from 203rd in 2007 with profits of \$59,432,000. Churchill Corp also made the most profitable list at the 219th spot.

The importance of privately held companies to the Canadian economy and particularly in the construction sector cannot be underestimated. Among Canada's biggest private companies, PCL ranked 17th based on revenues, Ledcor 40th, Ellis Don 41st, Graham Group 60th, Jacobs Engineering 61st and Fluor Canada 96th.

There's a snapshot of our industry as portrayed by Report on Business Magazine.

WSIB Update

For the past several months WSIB Chair, Steve Mahoney, has been meeting with various workplace safety stakeholders, exploring for ideas to restore the provincial agency to health. He has promised a report on his consultations sometime this summer. Mahoney's strong leadership and the sincerity of his consultation process are evidenced in his agreement to post the WSIB's unaudited quarterly financial statements on the organization's website in a timely fashion. I think he understands that only if stakeholders are well informed about the WSIB can they provide him with good and useful ideas.

The "2009 First Quarter Report to Stakeholders" posted recently on the organization's website shows the WSIB in a state of continuing decline. Premium revenue fell from \$942 million in the first quarter of 2008 to \$887 million in 2009 as a result of lower employment levels in sectors such as automotive, construction, forestry, manufacturing and transportation. Benefit costs were up from \$1,044 million in the period in 2008 to \$1,177 million in 2009, due largely to an increase in the benefit liability of \$84 million stemming from federal and provincial income tax changes. The net of all this was a loss of \$933 million on operations in the first quarter of 2009 compared with a loss of \$289 million in 2008.

With regard to the WSIB's unfunded liability, an investment loss in the first quarter of \$685 million caused the UFL to expand to almost \$12.4 billion. In recent public speeches, Chair Mahoney has officially stated what he intimated in private conversations in recent months, that the target date struck 30 years ago for the elimination of the UFL, 2014, is no longer achievable.

This is not the time to sling mud at the WSIB; it's time for the best health and safety and insurance minds to get together, consult with stakeholders and develop a new way forward.

Ontario Housing Starts Rebound in May

While there is no single statistic that on its own can reliably predict future economic activity, housing starts are generally thought to be a good indicator of what might lie ahead. In addition to the sale of construction materials, new homes trigger the sale of everything from floor coverings, to white goods as well as a whole range of home finishing and improvement products. According to Alex Carrick of the DCN and to CMHC, housing starts increased in May to 128,000 on a seasonally adjusted annualized basis versus 118,000 in April. Starts averaged 133,000 in the first five months of this year, down 42% from the same period in 2008.

As you would expect, some parts of the Province are doing better than others, from Kingston up 34% and Thunder Bay up 30% on an actual starts year-over-year basis, while Sudbury is down 5%, Ottawa down 21%, London down 25%, Windsor down 34%, Toronto down 43%, Oshawa down 73% and Barrie down 90%.

Based on this single indicator, we can expect continuing challenges in the Canadian economy.

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