owners, educational institutions and others involved in the construction process. The federal government is presently preparing a detailed response to these recommendations which should be available in early 1985.

4. Evolving Environment

Average annual growth in the construction industry as a whole is expected to be somewhat slower (3.2%) in the period 1983-92 than over the past 20 years (3.8%). With the projected slowdown, shifts in the structure of the industry will continue. On the housing side, small local firms will likely become more prevalent because of the decreasing importance of speculative building and a probable increase in renovation and conversion activities. Engineering projects tend to be larger and more complex and are undertaken by larger firms. Projects of this nature may not be as numerous as they have been in the past. These changes, while unlikely to have any impact on the competitiveness of the industry, will have implications for the employees, requiring changes in skills and jobs.

During periods of national economic slowdown, export markets become particularly significant for industry firms in all developed countries as a means of maintaining an adequate level of business activity and profits, and retaining key personnel. However, the current state of the world economy and high energy prices are causing a shrinkage of the construction market in most developing countries. While export opportunities do exist in Asia and in oil producing countries, the volume of business available is much smaller than it has been and the competition from American, European and some Asian builders is becoming more intense. The export market is a difficult one for contractors. It is a high risk market. While there is scope for certain specialized types of contractors, such as heavy industrial, exports should not be considered as a counterbalance or panacea for the industry as a whole. There could also be increased competition in the Canadian market from foreign contractors who have not previous worked in this country.

5. Competitiveness Assessment

The large number of contracting companies, both large and small, ensures a highly efficient and competitive industry in Canada. They are well positioned to take advantage of industrial development opportunities in the domestic market. In general, Canadian firms need to improve both their technical expertise and their managerial skills in relation to further expansion in the export field. However, they have not developed the corporate size and the financial capability, the international marketing skills or the experience of their international competitors. In addition, government export support programs are judged by the industry to be less effective than similar programs provided by other industrialized countries.

6. Adjustment Required

Several factors must be considered if Canadian contractors are to increase their share of overseas projects, including:

a) an improvement in export support programs. This matter is now being studied, but leaders in the industry are of the view that Canada's programs are not comparable to those of other countries;

b) the formation of a strong teams of designers, contractors and manufacturers to pursue opportunities on a project by project basis. The government can play an important role in assisting the industry to identify specific market areas and to pursue projects relating to a particular sector of expertise.

c) a substantial increase in size of firm and a broadening of capability.

PREPARED BY: [signature]

APPROVED BY: [signature]
Director General