The construction contractor had control over management costs and to a certain degree over labour related costs. The cost of input materials and machinery used by the industry is determined outside the sector, mainly in the manufacturing industry. Construction companies do not require the same equity base as companies in other sectors which must finance, through equity, the purchase of special purpose plant and equipment. Contracting firms are able to rent much of their equipment, or to finance the purchase of this equipment, through chattel mortgages, as most large pieces of equipment are mobile and have a reasonable resale value. Contractors, traditionally, use bank credit and a large measure of supplier credit to finance their operations. In addition, when tendering a job, they seek a reasonable early cash flow from their work so that it will be, in large measure, self financing. By using these methods, contractors are able to finance their operations adequately with a high liability and low equity structure. The margin for error however is thin, particularly in a period of slowdown when firms are competing aggressively for a static or declining volume of business.

2. Strengths and Weaknesses

a) Structural

All firms in the industry tend to be highly specialized and technically competent and this ensures a high degree of competition across Canada. The larger firms are more broadly based and therefore more capable of undertaking the larger more complex projects. The Canadian industry, unlike its foreign counterpart, has not expanded its capability to include the engineering and procurement skills frequently sought by clients when considering major projects at home or abroad.

In many countries of Europe and Japan unlike Canada there is a close working relationship between the design construction, and manufacturing communities and the government in the pursuit of export work.

In the late 70s, some concern was expressed that should several of the much discussed mega projects be built concurrently, shortages of certain skilled tradesmen would hinder project completion. With the exception of pipe fitters, shortages did not materialize. Because of the seasonal aspects of construction, workers sought and were granted high wage settlements and became pace setters. This had a significant impact on the economy as workers in other sectors sought wage and benefits settlements in line with construction.

At the present time, the industry with the exception of house builders is highly unionized, but there is a strong trend towards non-unionization. Labour content currently accounts for one third of the cost of construction. As labour costs and union jurisdiction becomes more restrictive, the trend toward the use of non-union labour will likely increase. This could result in lower cost construction.

b) Trade Related Factors

Construction activity in Canada is not threatened to any degree by import competition. Foreign-owned firms operating in Canada generally act as good corporate citizens. The industry's skilled workers are protected by Canadian immigration laws.

Until recently, the domestic construction market was buoyant. This, coupled with the fact that Canadian contractors tend to be small, highly specialized firms lacking the financial resources to enter higher risk export markets, has meant that few have ventured outside Canada. A small nucleus of contracting companies have exported their expertise and management skills successfully over the years to the U.S. and overseas, primarily to the developing countries. At the present time, the Canadian International Construction Corporation, a consortium of eight contractors, is actively seeking overseas construction contracts.