

contractors which are ranked amongst the world's largest 250 firms decreased from \$US 44 billion to \$US 23 billion during the 1981 to 1986 period. Furthermore, in the American market, foreign firms have increased their contracts from \$US 3.6 to \$US 8.9 billion during the five-year period preceding 1987. The bulk (70 percent) of the foreign penetration in the American market has resulted from acquisition of existing American firms, with the remainder stemming from the establishing of new branch offices. German, Japanese, French, and British firms are the most prominent international players in the United States, although Canadian firms have also enjoyed some success. The trend in both the American and offshore markets, then, appears to be one of increased globalization.

Construction unionization in the U.S. has declined significantly during recent decades from 50 percent unionization in 1966 to a current level of around 25 percent. This is lower than Canadian levels, although, as discussed in Section Five, unionization still plays a considerable role in cities such as New York, Boston, Philadelphia and San Francisco.

The issue of insurance and liability is more prevalent in the United States than in Canada - Section Six provides further information on this subject, as well as on matters of taxation. Tax reforms introduced in 1986 have served to decrease construction activity, particularly that which was based to a high degree on tax-related considerations. The negative aspects of these changes are expected to be absorbed by the early 1990's, while the stimulative aspects will increase steadily.

Growth and Outlook by Segment

There are a number of factors affecting the pace of U.S. construction activity. Some are of a local nature, such as California or Florida implementing restrictions or development guidelines upon certain segments or in certain cities. Others are of a more general nature and include:

- federal budgetary concerns slowing the pace of needed infrastructure spending;
- improved east-west relations, and the potential for reduced military spending and increased infrastructure spending;
- trade deficits contributing to excess plant capacity and therefore limiting industrial construction expenditures;
- tax changes slowing the pace of office and condominium construction;
- the aging of facilities and the requirement for renovation, repair and remodeling expenditures;
- technological changes which alter the requirement for particular types of construction;
- environmental developments potentially stimulating significant construction expenditures in areas such as emission reduction, water diversion, and waste treatment;
- continued suburbanization and the resulting demands upon mass transit systems;
- the aging and over-use of highways, bridges, airports, water and sewage facilities and the requirement for increased expenditures.