# SECTION ONE: INTRODUCTION

The U.S. construction market is large - slightly over $US 400 billion was spent on construction in 1988 - and opportunities exist for increased penetration by Canadian construction firms into many regions of the market. Some eighty million Americans live in states bordering Canada, and the United States remains one of the most active construction markets in the world.

The construction market in general, and in North America in particular, is becoming more international. Foreign contractors are entering the American market in increasing numbers. As described by an executive with a leading international firm, in explaining the reasons behind his firm's penetration of the market, "Latin America is broke, there's little action in the Mideast, Africa has an occasional interesting project, and we're cautious on the East bloc - this leaves the EEC, the U.S. and Southeast Asia".

Contractors from the United States and other countries are also increasingly penetrating the Canadian construction market. Fully 56 of the 250 largest international contractors are working in Canada and these firms captured $US 6.5 billion worth of Canadian business in 1988, up from $US 3.8 billion the previous year. Greater profits, geographic diversity, and broadened knowledge of business trends, are the usual benefits derived by exporting construction goods and services - these are the factors driving the increased international competition.

## 1.1 RECENT CANADIAN ACTIVITIES

There are a number of considerations that to date have restricted the international success of Canadian construction contractors. For example, inadequate financing is felt to have prevented many Canadian firms from bidding in export markets. Provincial procurement practices have led to the development of construction firms with local expertise, and inhibited the growth of large national companies of sufficient size to compete effectively in the U.S market[1]. The significant foreign-ownership levels in the Canadian economy has created a situation where parent companies often engage familiar American construction contractors when establishing or expanding their Canadian operations[2]. This has arguably deprived Canadian contractors of market share. Finally, Canadian construction, development, and engineering firms have not combined efforts to the same extent as firms in other countries, and this has limited the success of Canadian construction firms

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[1]Provincial procurement practices may not be an overly significant barrier, as, on average, Canadian construction firms appear to be approximately the same size as American firms. However, the largest Canadian firms are small relative to their American counterparts.

[2]A similar pattern is felt to be occurring in the United States, where recent Japanese capital investments have used Japanese construction firms in most instances.