

Given the large size of the American market, the increased global competition in the construction industry, the coming into force of the trade agreement, and the minimal efforts undertaken to date, the federal trade department together with Ernst & Young Management Consultants (formerly Woods Gordon) and the Canadian Construction Association felt that a review of the American market, widely distributed to Canadian construction organizations, would be of long-term benefit to the Canadian industry.

Structure and Characteristics of the U.S. Market

The economy in which the American construction market operates is not unlike our own. Both economies have enjoyed strong growth since 1982. Canadian interest rates generally exceed but follow the swings in American rates, because of the large volumes of dollars which readily cross the border, and because of the potential impact of changes in the interest rate differential upon the value of the Canadian currency. The economies have similar per capita incomes, with about a ten percent margin in favour of the United States. Each nation is experiencing similar demographic and economic changes, such as the aging population, a movement toward service employment and away from industrial activity, a requirement for improved training, and an adjustment to rapid technological evolution and liberalized trade. Economic growth is not uniform across either nation; for example, Canadian growth has been highest in Ontario and lowest in the Atlantic provinces, while American economic growth has been highest in New England (until recently) and lowest in Texas.

Reflecting these similarities in the underlying economic forces, the structure of the Canadian and American construction industries also exhibit similarities. Spending on new construction in both countries is divided roughly one-half residential, one-third private nonresidential, and one-fifth public nonresidential. On a per capita basis, the number of firms in the two countries are about equal; there are approximately ten times as many construction firms in the U.S. as in Canada, and ten times as many "large" (over \$US 10 million in annual sales) firms. Firms of this size account for about 35 percent of industry revenues in each country. However, the "large" American firms are considerably bigger than "large" Canadian companies, and have historically been much more active internationally. Construction wages are also comparable between the two countries, averaging \$US 496 weekly in the United States versus \$US 485 in Canada in 1989.

During recent years, American construction firms have been losing market share internationally, as well as in their own market. The value of international contracts won by those American