



CHAIR'S MESSAGE

## COVID One Year Later: Optimism Grows But Uncertainty Remains



It has now been a year since the start of the COVID-19 crisis. While the consulting engineering industry has been able to sustain itself over the last 12 months, compared to other sectors, there is continued uncertainty and concern regarding the coming construction season and beyond. Recovery of the current economic crisis will require a major stimulus - and no form of stimulus is more effective than infrastructure. However, this will require significant and timely investment by the private and public sectors.

In support of its members, ACEC-Canada has long advocated for predictable, sustained infrastructure investment to ensure the consulting engineering industry and its partners in construction can maintain capacity. It is a message that is critical now more than ever for the government to hear and understand as it develops its plan for post-COVID economic recovery.

In the past months, various announcements that touch on and include infrastructure investments have been delivered by the government. The programs announced to date have reflected an emphasis on achieving climate change goals and developing a green economy. While ACEC-Canada agrees with the government that there is a unique opportunity to invest in “transformative” projects, it is also an opportunity to strengthen the economy by closing the infrastructure deficit. In fact, investing in core infrastructure is necessary to provide the economic capacity for the success of these transformative projects. Core infrastructure can be developed sustainably while also creating jobs, stimulating the economy, closing the infrastructure deficit and making investments in transformative projects economically viable in the long-term. Also, core infrastructure can address immediate needs in smaller, remote and/or Indigenous communities.

It is also important that these investments be made in a timely manner. While there is no doubt that the federal government has made significant commitments to infrastructure, many programs were significantly back-end loaded, with large amounts of investment planned for the later years of the programs. These are already committed funds that could make an important difference now, rather than in three or four years.

Along with ACEC-Canada President and CEO John Gamble and Vice-President Martine Proulx, I recently had the opportunity to meet with Infrastructure and Communities Minister Catherine McKenna and her

team. This provided us with an opportunity to directly make our case to balance core and transformational investments and to accelerate current commitments in order to inject much needed money into the economy sooner, providing much-needed stimulus to strengthen the post-COVID recovery while closing the infrastructure deficit more quickly to strengthen the economy in the longer term. Furthermore, this could more evenly distribute the investments year-over-year, which would help our industry and our municipal partners to manage resources and capacity.

Minister McKenna, acknowledging the knowledge, expertise and practicality of our members, recognizes that our industry is willing and well-positioned to help government achieve its infrastructure goals. Some areas in which ACEC-Canada and its members’ expertise can be of particular assistance include supporting government plans for a national infrastructure assessment and identifying effective, industry-recognized best practices for sustainable engineering (such as Envision or re-instituting the National Guide to Sustainable Municipal Infrastructure). ACEC-Canada has also offered to facilitate a Canada-wide roundtable of experts in delivering infrastructure to help the Minister achieve the government’s infrastructure goals.

The ACEC-Canada team based in Ottawa continues to follow up with Minister McKenna and officials at Infrastructure Canada to identify ways of collaborating toward effective and efficient infrastructure programs that not only support our industry but, more importantly, also improve the economic, social and environmental quality of life for all Canadians.

It is worth noting that we are not alone in our advocacy. We joined with our stakeholder partners as the *Building for Recovery* coalition in order to educate policy and decision makers on the importance of the design and construction sector and the important role it can play in rebuilding our economy. For this edition of *ACEC Review*, we talked to our partners at the Canadian Construction Association, the Nation Trade Contractors Council of Canada and the Allied Equipment Distributors about the coalition and how we can help lead Canada out of the pandemic toward a better future for Canadians. I encourage you to visit the *Building for Recovery* website ([www.buildforrecovery.ca](http://www.buildforrecovery.ca)) and add your voice to this campaign.

ANTHONY KARAKATSANIS, P.ENG.  
CHAIR, BOARD OF DIRECTORS, ACEC-CANADA



# IN DISCUSSION *with* ACEC

**I**n *Discussion with ACEC* is a series of informal conversations between ACEC-Canada, government decision makers and business leaders. In this edition, ACEC-Canada speaks to the Building for Recovery coalition, formed to put pressure on elected officials to get committed infrastructure funding flowing and help rebuild the Canadian economy in the wake of COVID-19.

The coalition includes ACEC-Canada, the Associated Equipment Distributors (AED), the Canadian Construction Association (CCA) and the National Trade Contractors Council of Canada (NTCCC).

## About the Canadian Construction Association (CCA)

CCA is the only national association representing contractors (general, trade, civil) and manufacturers, service providers and suppliers in Canada. Backed by 20,000 member firms drawn from 63 local and provincial integrated partner associations, CCA gives voice to the public policy, legal and standards development goals of contractors, suppliers and allied business professionals working in or with Canada's institutional, commercial and industrial (ICI) construction industry.

## About Associated Equipment Distributors (AED)

AED is the international trade association representing companies that sell, rent, service and manufacture construction, farm, energy, mining, forestry and industrial equipment and related supplies. The Canadian equipment distribution industry, which is dominated by small-medium-sized, family-owned businesses, has more than 420 locations across Canada that employ over 27,000 workers and accounts for at least \$8 billion in annual economic activity.

## About the National Trade Contractors Council of Canada (NTCCC)

NTCCC represents the best interests of the trade contracting sector in Canada in the context of the industry as a whole. NTCCC's member associations represent over 12,000 firms across Canada. The Council has identified several key projects of focus: prompt payment legislation, both federally and provincially; supporting the use of unaltered forms of industry-accepted standard forms of contracts; improvement of drawings and the impact on construction efficiency; and support for industry-wide acceptance of a national change order standard, combined with a national education/awareness program.

To learn more about Building for Recovery and its stakeholder organizations, visit [www.buildforrecovery.ca](http://www.buildforrecovery.ca).

## What is the most important thing the federal government can do to leverage infrastructure investments?

**CCA** - The federal government must ensure committed infrastructure funding is fully allocated. In addition, by ensuring timely approvals are delivered to projects, the government can stimulate the economy as we head into pandemic recovery. The evidence – like that of the Public Policy Forum in their report, *Building the Future: Strategic Infrastructure for Long-Term Growth* – shows that for every dollar invested in public infrastructure, governments can expect to see a return in investment of two to four dollars. It creates immediate employment and, more importantly, it also creates new resources and opportunities for communities. From roads to housing to broadband to hospitals, infrastructure benefits everyone. These investments improve social, economic and environmental quality of life for all Canadians and fuel economic growth for decades to come. With federal and provincial governments working in collaboration with Canada's construction sector, we can ensure that we build back a stronger, more resilient country from the pandemic. The time is now to deliver on billions of dollars of investments, so that we can start to rebuild our economy.

**AED** - Despite the need for stimulus and the billions of dollars of existing infrastructure commitments, many of



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these commitments are aren't planned for several years. And many of the current commitments have been slow to roll out. Delays in getting projects started is a missed opportunity to inject much needed stimulus into the economy while closing the infrastructure deficit and improving the quality of life for Canadians. The Parliamentary Budget Officer recently expressed concern that the federal government is behind in its investments through the *Investing in Canada* plan by over \$2 billion. Now is the time to deliver on these commitments. We need to catch up to spur economic growth, create jobs and provide confidence to the industry and the private sector. When the construction sector is working, all other parts of the Canadian economy are also growing.

**NTCCC** - The federal government's *Investing in Canada Plan* appropriately seeks to leverage infrastructure investments to improve communities and create opportunities for more Canadians over the long term. Considering the impact of COVID-19 on the economy, the plan should allow additional flexibility for project selection and give immediate priority to infrastructure that grows the economy, creates jobs and re-energizes local communities. Supporting a broad base of infrastructure will also provide the economic capacity to invest in long-term, transformative projects, while providing support to small communities that often most need it. Investing in infrastructure to help Canada build

back better also presents an opportunity to eliminate the infrastructure deficit, noted as recently as 2019 in the *Canadian Infrastructure Report Card*. Growing the economy will be essential to making further investments in community and social infrastructure more viable in the long term and ensuring the design and construction sector remains stable should future outbreaks occur in the shorter term. The construction sector is ready to rebuild Canada's economy, but all levels of government must deliver on infrastructure investments now to get projects started.

**What are some of the risks associated with delayed construction projects? Likewise, what are some of the benefits in better supporting the industry with timely approvals?**

**CCA** - Canada's construction industry continued to operate throughout COVID-19 with relatively little disruption. As such, it is well-positioned to be on the frontline of Canada's economic recovery, but delays to existing and future projects can have immense drawbacks. Without predictability on project timelines, it is difficult for firms to bid accordingly, which can cause severe issues of sector capacity if projects are being awarded in boom/bust cycles. This has a further impact on workforce retention – workers cannot be expected to remain idle for lengthy periods of time, especially when there is such a high demand for

skilled labour in many different industries. It also stanches the industry's continued capacity for innovating and improving upon existing methods. A clear, balanced and flexible pipeline of projects will create jobs, enhance communities and ensure stability in the Canadian economy going forward. Beyond new builds, the *2019 Canadian Infrastructure Report Card* warned that Canada is facing a serious infrastructure deficit, with seven different asset categories defined as needing urgent upgrade or repair. The timely approval of projects and swift rollout of existing funding is critical in addressing these issues and will have long-term benefits on communities. Studies also show that every dollar invested at key points in an asset's life cycle results in six to 10 dollars in savings later. An ample supply of projects in uninterrupted cycles also helps our firms to continue our workforce training and recruitment efforts.

**How has the pandemic affected supply chains in the United States and Canada and what can be done to better address gaps in the system?**

**AED** - While the pandemic has impacted the equipment supply chain in several ways, it is important to note that prior to COVID-19, it was already strained. Increased machinery demand resulted in longer lead times than those to which the industry was accustomed. The situation was exacerbated by trade and tariff issues,



including the uncertainty surrounding the Canada-United States-Mexico Trade Agreement, which was only finalized in 2020. During the pandemic, manufacturers were forced to significantly reduce operations due to public health requirements, resulting in even longer lead times on equipment orders. Shipping capacity in many areas is overwhelmed, delaying product delivery, and ports have had significant backlogs. Meanwhile, in both Canada and the United States, construction work continued.

To alleviate the strain on the heavy equipment supply chain, first, the COVID-19 pandemic must be resolved. Defeating the virus will allow manufacturers to increase workforce and production. Additionally, governments at all levels must resolve the uncertainty surrounding infrastructure funding and spending. Otherwise, contractors postpone equipment purchases, which impacts how distributors stock and maintain inventory. Long-term predictability in infrastructure investments will allow manufactur-

ers to adequately meet market demand and distributors to maintain proper inventory levels to fulfill the needs of its customers—the companies building and maintaining vital infrastructure.

### **What are the benefits of having a predictable pipeline of skilled jobs on communities, families and economic recovery at large?**

**NTCCC** - Trade contractors are, for the most part, small to medium size businesses that depend on a steady cash flow to operate. A stable stream of jobs and projects allows them to grow their workforces by bringing on apprentices because they will have confidence in having a sustainable workflow. This is an economic win-win-win for the industry, for our communities and for Canadians at large.

When there is uncertainty regarding projects, whether it be delays or cancellations, trade contractors will immediately reduce their workforce, as they are unable to maintain employees on the payroll who are not actively working. With continued uncertainty, it is likely that contractors will continue to operate with a reduced workforce, leading to less economic opportunities overall. Additionally, they will reduce investment back into their business to maintain liquidity to deal with a volatile or uncertain flow of projects. This reduces employment and puts pressure on the ability to train new apprentices. And it is trade contractors that employ 80% to 90% of workers on any given job site. Their ability to take on and train new apprentices is critical to ensuring workforce availability in construction. It also creates uncertainty in the workforce, as there is less assurance of long-term work and fewer available jobs, reducing total wages flowing into households and, consequently, household spending. The reduced employment opportunities impact communities at large, as construction is a large employer across Canada.

When private and public sector investment does start flowing following a contraction, contractors are faced with and must respond to a rapid increase in demand. This often generates economic overextension and solvency issues, since trade contractors generally finance the first 60 days on the job and require cash flow to take on new work. Often, they become stretched too thin and solvency issues occur. If the flow of work and project were steady, it would create better financial health for trade contractors, construction workers and their families, as well as the communities where they live.

## **I N N O V I A**

### **Succession planning: Building resiliency for the future**

By Rowley Mossop, Principal, Innovia

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**O**ver the past year, we have been advising clients to use the pandemic as an opportunity to double-down on organizational design and building resiliency. More recently, however, we have witnessed an appetite for one service in particular: succession planning.

While Covid upended business as usual, it didn't alter the fact that every firm will eventually change hands. Some principals have found that their assumptions about succession didn't hold up under the pressures of the downturn. Business owners are not only concerned with ensuring their financial security, but also a horizon of leadership that will safeguard the future of the companies they've worked so hard to build.

The earlier that owners begin planning, the greater the probability of success; this is even more true in the face of increased risks. Developing an effective succession plan entails taking an integrated look at business strategy, people, and finances. Leaders who understand succession planning as a value-building process for the long game will see near-term advantages: by proactively raising the expertise of their staff, they are creating meaningful career pathways, increasing their firm's ability to grow and pursue strategic opportunities, and ensuring long-term sustainability.