



Canada's GDP growth in first quarter 2010 outperformed U.S.

Courtesy of The Daily Commercial News

The annual rate of Canada's real gross domestic product growth, increased to + 3.9% in the quarter ending March 31, 2011, up from 3.1% in the prior three months, according to Statistics Canada.

This was the fourth period in a row in which the rate of real output growth (i.e., adjusted for inflation) has moved higher. The increase in GDP at an annualized rate was +2.5% in Q3 09 and +2.3% in Q2 09.

Since the recession in Canada, which occurred from the final quarter of 2008 through the mid-point of 2009, the fastest quarterly rates of growth were recorded in Q4 09 (+5.0%) and Q1 10 (+5.6%).

While Canada's recession may have been short, there was a moment when it was quite brutal.

First-quarter 2009 GDP change was -7.9%, a much sharper rate of decline than at any time during either of the recessions in the early 1980s and early 1990s. However, those two recessions lasted longer, for six and four quarters respectively.

The most recent pattern of GDP growth in Canada diverged from what happened in the United States. South of the

border, the U.S. Bureau of Economic Analysis reported the rate of advance in the overall economy slowed to +1.8% in the first quarter from +3.1% in the previous three months.

There was a surprise contained in the numbers. It wasn't consumer spending that helped the Canadian economy out relative to the U.S. In fact, the opposite occurred. Real consumer spending in the U.S. in Q1 10 grew much faster than in Canada, where it hardly increased at all (+0.2%).

One area where Canada made up ground, however, was in residential investment. Canada's quarter-to-quarter change in housing expenditures was +9.4% in the latest period. The U.S. registered another decline, -3.3% annualized.

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Residential investment in the U.S. has been negative in 18 of the last 21 quarters, sometimes by as much as -30.0% or more (e.g., Q1 09). During the same period, Canada recorded 11 declines, with the sharpest being -23.4% in Q4 08.

In both countries, goods imports grew faster than goods exports in the latest period. In Canada, the numbers were +8.2% annualized for exports and +10.8% for imports. The comparable figures south of the border were +13.2% and +17.4%.

It's not unusual for the U.S. to be taking in more products from outside its borders than it is sending abroad. But for Canada, long-term GDP strength has depended on exceptional export sales, particularly to the U.S.

At this time, the continuing underperformance of the U.S. economy, leading to a moderation in the value of the greenback, has resulted in a rapid pick-up in U.S. exports. In the meantime, Canadian producers have been struggling with a currency, the loonie, that has been much higher-valued than historically. This leads into a consideration of another GDP line item.

Canada did draw strength in the latest quarter from an accumulation of inventories. But if consumers are pulling back and external demand (from the U.S.) remains slow to materialize, this is an area of the economy that may be subject to adjustment in the quarters ahead.

From an industrial standpoint, Statistics Canada says manufacturing as well as oil and gas extraction were the biggest contributors to growth in the latest quarter. Corporate profits were ahead 5.1% quarter to quarter. Profits are an income measure, so they are reported in current dollars. On a year-over-year basis, Canadian corporate profits were +13.4% before taxes.

With continuing questions about the buoyancy of demand from a less-than-stellar U.S. economy, housing starts that were brought forward into the early part of this year to avoid new mortgage approval rules and reductions in government spending both on stimulus projects and as part of belt-tightening measures, Canada's +3.9% growth rate in the first quarter is likely to be followed by some trending down into the +2.0% to +2.5% range in the remaining quarters of 2011.

The MHCA would like to congratulate Mark Chipman, David Thomson, and the entire True North Sports & Entertainment organization for their dedication to the community and for their success in bringing the NHL back to Winnipeg!



MHCA Welcomes New Members!

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Johnny Bestland
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Sanford MB R0G 2J0

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Email: johnny@bestlandexcavation.com
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Groundbreaking



Manitoba Heavy Construction Association's Annual

Spring Mixer



Wednesday June 8, 2011 | Assiniboia Downs

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Dinner – 6:00pm

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For more information please contact Christine at the MHCA office @
phone: 947-1379, fax: 943-2279 or by email at christine@mhca.mb.ca

*As per MHCA Board Policy, only registrations cancelled 72 hours prior to
the commencement of this event will be refunded.*

Groundbreaking 

Featuring articles from two of Winnipeg's largest law firms, Thompson Dorfman Sweatman and Tapper Cuddy, each of which are engaged by many in our industry.

Is the Canadian Construction Industry ready for Adjudication?

By Richard M. Swystun, B.Sc. (Mech. Eng.), LL.B.,
Tapper Cuddy LLP

In the early 1990's, the construction industry in the United Kingdom was in a sad and sorry state. Contractor bankruptcies were rampant and numerous construction projects throughout the UK had ground to a halt, burdened by complex legal disputes that seemed to take forever to resolve and the high costs of traditional dispute resolution methods. Perhaps understandably, mistrust amongst the players in the industry was widespread at the time. Something had to be done to remedy the situation.

In 1993, Sir Michael Latham, a retired member of the British parliament, was commissioned to investigate the problems that were plaguing the industry and to prepare a report for both the British government and the British construction industry on possible solutions. In 1994, he prepared a report entitled "*Constructing the Team*" in which he put forward a critical evaluation of the inefficiencies which he had observed in the processes and procedures that were then being followed in the construction industry and in which he made numerous recommendations for reform.

One of the major recommendations contained in Sir Latham's report was the somewhat controversial recommendation that "adjudication" become the standard form of dispute resolution to be used for construction disputes. This recommendation was ultimately embodied in a statute entitled the *Housing Grants, Construction and Regeneration Act 1996* (also known as "*the Construction Act*"), which received Royal Assent on July 24, 1996 and came into force two years later, in 1998.

Under the *Construction Act*, a party to a construction contract is given the absolute right to refer a dispute arising under the contract to adjudication, which is essentially a process that provides for the delivery of a low cost and rapid decision in a construction dispute that will be binding on the parties until the dispute is finally determined by legal proceedings, by arbitration or by agreement. Under adjudication, disputes that arise during the course of construction are to be resolved promptly, on an interim basis, with all parties reserving all of their legal rights, including the right to fully litigate or arbitrate the matter in dispute at a later date, if desired.

The speed at which the adjudication process is intended to operate is astounding. Under section 108 of the *Construction Act*, a party to a construction contract has the right to refer a dispute to adjudication at any time by simply giving notice of his or her intention to refer the matter to adjudication. An

impartial adjudicator is then to be appointed by the parties and the dispute is to be referred to the adjudicator for consideration within 7 days of the giving of the initial notice. The adjudicator is then required to reach a decision within 28 days of the referral (or such longer period as may be agreed to by the parties after the dispute has been referred).

The adjudication process is intended to provide a mechanism under which disputes that arise during the course of a construction project can be resolved in an expeditious and cost-effective manner, with little impact on the overall construction schedule, while preserving the rights of the disputants to pursue due process and a more in-depth examination of the matter in dispute at a later date.

Although both sides to the adjudication process retain the right to pursue a remedy through the courts or deal with the dispute by way of voluntary arbitration subsequent to the issuance of the adjudicator's interim decision, the experience in the UK has been that the vast majority of contractors and owners choose not to pursue the matter any further. In effect, the UK's experience with adjudication is that the interim decision of the adjudicator most often becomes a final decision in practice.

While it has not been without some growing pains, the implementation of the mandatory adjudication process in the UK has been an overwhelmingly positive development for the British construction industry. In fact, the implementation of the adjudication process has been credited with "saving" the construction industry in the UK by both fixing it and revitalizing it. Given the success of the British adjudication experiment, similar adjudication processes have been adopted in Singapore, New Zealand and some parts of Australia.

In North America, the adjudication concept has been slow to catch on. Some aspects of the adjudication process can be seen in the Dispute Review Board (or "DRB") processes that are sometimes employed on large, multi-million dollar public infrastructure projects (such as subway system construction projects and large underground tunnelling projects), but, thus far, the adjudication process has not been fully embraced on this side of the pond as a process that might be mandated for the resolution of ordinary construction disputes.

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Is the Canadian construction industry ready for introduction of mandatory adjudication for the resolution of construction disputes? While some are now calling for its introduction in Canada, arguably the delays and problems currently being experienced by members of the construction industry here have not yet reached a height that could drive the type of change that was introduced in the UK in the mid-1990's. When and if the requisite critical mass of problems is reached, the mandatory adjudication concept will certainly be worth looking at and there will be a large body of experience with the concept built up in other countries to draw lessons from.

Richard M. Swystun is a partner with the firm of Tapper Cuddy LLP who practices primarily in the areas of construction law and civil litigation. He can be reached by phone at (204) 944-3237 and by email at rswystun@tappercuddy.com.

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Next Decade Should be a Boom for Canadian Construction Business

OTTAWA — The Canadian construction business should be booming for the next decade, according to a report from PricewaterhouseCoopers on Thursday (<http://www.globalconstruction2020.com/>) that sees infrastructure in the next five years growing at more than two-and-a-half times the rate seen in the past five.

By 2020, the report says, Canada should be the fifth-largest construction market in the world. It currently sits in seventh place.

‘Over the next decade, we expect infrastructure to be the fastest growing end market in Canada and housing to be the slowest,’ says Sal Bianco, PwC’s national engineering and construction leader. ‘Responsible for this huge growth are a number of oilsands projects starting in Alberta, the major hydro projects planned in Ontario and Quebec, expanding transportation needs in urban centres and the construction demands the Pan Am Games is placing on the country.’

Toronto’s successful bid for the 2015 Pan American Games is expected to result in \$2.4-billion in new construction — including an athletes’ village, aquatics centre, gymnasium and running track, and the Canadian Sport Institute complex.

As well, a rail link between Union Station in the downtown and Pearson International Airport in the west end will be completed before the Games, with the preferred bidder to be announced early next year, the report says.

The growing Canadian urban population means heavier demand on expensive transportation infrastructure, says Bianco. The report cites more than \$7-billion in light rail and subway projects in Toronto alone, while a light rail system proposal in Ottawa carries a \$2.1-billion price tag.

But hydro and oilsands projects carry the biggest price tags. Three hydro projects worth nearly \$18 billion in total are in the works for Quebec and Labrador, while 20 new oilsands projects ‘starting over the next five years will increase non-residential construction in Alberta by 21 per cent in 2011. Indeed, spending on capital construction and machinery and equipment in the province is projected to rise by 4.3 per cent this year, to \$73.5 billion,’ the report says.

‘New builds will continue to attract private investment and Canada has already established a very successful pipeline of privately financed infrastructure investments,’ says Bianco. Public Private Partnerships Canada (P3), round three funding opens this year and will attract applications for infrastructure projects across the country.



UPCOMING COMMITTEE MEETINGS:

Aggregates Committee | Tuesday June 21, 2011 | 12:00 noon | CanadInns Polo Park

Membership Committee | Tuesday August 16, 2011 | MHCA Boardroom (3 – 1680 Ellice Ave)

MENA Dilemma

By Peter Hall, Vice-President and Chief Economist of Export Development Canada

If shocks are the bane of forecasts, this year we are doubly cursed. Thus far, the world has been wracked by multiple natural disasters. Equally unpredictable was the unrest that gripped the Middle East and North Africa (MENA), and it has likewise shaken confidence. If seemingly bullet-proof regimes fell so swiftly, can we predict with any confidence future fallout in the region – and the world?

Retrospect is helpful. Multiple factors made Egypt and Tunisia vulnerable to unrest. First are the long-standing preconditions. As is common in the region, both nations suffered from endemic corruption and high youth unemployment, and were governed by partial autocracies – regimes that go through the motions of democratic process, but whose courts and parliaments have little power. This veneer of democracy can sow greater frustration than in more repressive situations where political limits are clear. Yet while compelling, these conditions were entrenched, and did not suggest imminent dissent.

A second category is a group of longer-term developing conditions. Public angst in the MENA region has been greatly strengthened by an increase in the number of secondary and post-secondary graduates, and by a sustained rapid rise in the use of information and communication technologies. In Egypt and Tunisia, new technologies, including social media, allowed savvy but frustrated youths to mobilize more effectively against repressive regimes. Similar trends were evident in other tightly-policed countries. Even so, these developments still fail to explain the advent of regime overthrow.

The third layer of factors that has driven unrest are the immediate, short-term triggers that made people believe that confronting the authorities was worth the potential cost of doing so. In Tunisia, the self-immolation of a young man and, possibly, the publication by WikiLeaks of US government cables highlighting regime corruption were catalyzing events that resonated deeply enough with the population to persuade them to join the protests. The speed of the Tunisian revolution and the subsequent Egyptian regime overthrow in turn triggered similar protests in the rest of the region.



Will the same constellation of drivers laid out in our model repeat itself in other MENA countries and produce additional revolutions? While more surprises may yet be in the offing, we believe that most countries in the region, with the exception of Libya and Yemen, will not experience regime change in 2011 or 2012. One reason is that in a number of states, especially those ruled by hereditary monarchies with genuine popular support, major opposition movements are not actually seeking

regime overthrow but political reform or simply tangible material improvements. Most governments with deep pockets or political flexibility have begun to defuse protests. Second, there are countries in which the interests of the security forces and the political leadership are too closely intertwined to produce an outcome of the type seen in Egypt or Tunisia, whose military forces ultimately refused to back their political masters against the people. In the absence of Western intervention, these states are more likely to meet protest movements with brute force as an ultimate deterrent.

The bottom line? Looking ahead, none of the MENA region's dictatorships will be able to shield themselves entirely from the impact of the revolutionary wave sweeping the region. However, while additional revolutions cannot be ruled out, the likelihood that we will witness further quick regime changes, and the attendant impacts on global and Canadian trade flows, has receded significantly.



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DATE: Saturday, June 4th
TIME: 9:00AM - 4:00PM

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Training Schedule



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JUNE 2011	
June 6-7	COR™ Leadership
June 8	COR™ Principles
June 9-10	COR™ Auditor
June 13-14	Train the Trainer
June 15	WHMIS (1/2 day AM)/ TDG (1/2 Day PM)
June 16	COR™ Auditor Refresher (1/2 day AM)
June 17	First Aid 1 — CPR
June 17	Excavating & Trenching (1/2 day AM)
June 17	Flagperson (1/2 day PM)

COR™ TRAINING — Brandon	
May 30-31	COR™ Leadership
June 1	COR™ Principles
June 2-3	COR™ Auditor

JULY 2011	
July 5	Safe Work Procedures
July 6	Prime Contractor (1/2 day AM)
July 7	Back Injury Prevention (1/2 day AM)
July 7	Fatigue Management (1/2 day PM)
July 8	Safety Administration (1/2 day AM)
July 8	Toolbox Talks (1/2 day PM)
July 11-12	COR™ Leadership
July 13	COR™ Principles
July 14-15	COR™ Auditor
July 15	First Aid 1 - CPR
July 18-19	Train the Trainer
July 20	WHMIS (1/2 day AM)/ TDG (1/2 day PM)
July 21	COR™ Auditor Refresher (1/2 day AM)
July 22	Excavating & Trenching (1/2 day AM)
July 22	Flagperson (1/2 day PM)

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