



**F&M MANAGEMENT LTD.**  
Corporate Advisors

# The Strategic Advisor

Winter 2018 Volume XIII

## Canadian Environmental Consulting Industry-Changing Landscape



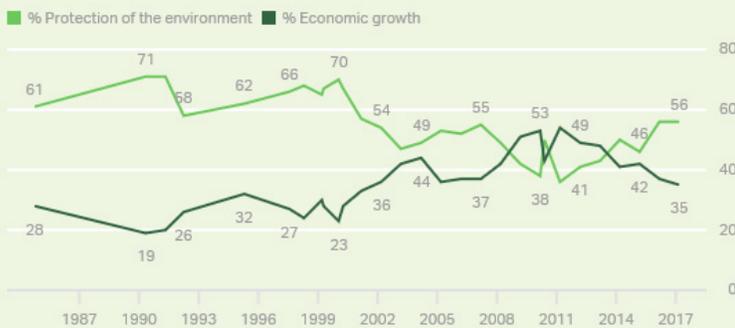
The past two decades in the Canadian Environmental Consulting Industry has seen both significant growth due to the economic boom of the early and middle part of this time period and slow down and negative growth during the recession of 2008-2010. The industry has shown a steady comeback since the recession however, and one factor has been consistent over the past twenty years: the industry has been

going through consolidation resulting in larger service providers, (fewer mid-sized companies) and more international players in the landscape.

One factor that has had an impact on the growth and the decline of the industry was the fluctuation in the world economy and the impact of multiple recessions over the past twenty years. The trend indicates that as the world economy enters a period of economic recession, the view for more environmental protection softens, consequently services and commodities tied to the environmental protection, monitoring and reporting are also affected.

### Environmental Protection vs. Economic Growth

With which one of these statements do you most agree -- protection of the environment should be given priority, even at the risk of curbing economic growth (or) economic growth should be given priority, even if the environment suffers to some extent?



GALLUP

Another dominating factor in the evolving landscape of the environmental consulting industry is changes in environmental regulations. They have become much more defined and established in all provinces in Canada, resulting in more environmental investigation, reporting and compliance; therefore, more environmental professionals are required to stay current and to deliver accurate, and up-to-date services.

The economic drivers and changing environmental regulations combined with the industry's clients' push for rigorous supply chain management and globalization of the services have also provided challenges. Over the past twenty years, there has been a surge in mergers and acquisitions resulting in the consolidation of the service providers. Initially, major US environmental consulting companies acquired many large to mid-sized Canadian companies and over the past 10 years, European and Australian companies have also made acquisitions in Canada.

The globalization drive to provide consulting services in multiple geographic locations and in different countries, combined with supply chain management, drive by the industry's clients has resulted in fewer service providers with full-service offerings and broader geographic presence to service the clients with global environmental consulting requirements. This movement has left many of the small to mid-sized Canadian companies competing against larger and multi-national consulting companies. This trend will continue the pressure for more consolidation.

Consulting companies' aging owners/shareholders and their desire to capitalize on their long-term investments is another aspect of the industry consolidation. The baby-boomer effect, attractive multiples offered by the acquiring companies, inability to compete on a larger scale and simply the economics of positioning the companies for sale, have fueled the mergers and acquisitions and consolidations resulting in the change in the industry landscape over the past twenty years.

Continued on next page...



## Canadian Environmental Consulting Industry-Changing Landscape (continued)

As consolidation and mergers and acquisitions continue, new start-up companies are being formed, many of which are due to the employees of the acquired companies leaving and forming their own environmental consulting companies. This may be due to lack of interest in working for large corporations, shortage or limitation of career advancements due to the mergers, inability to participate in the windfall of the sale gained by the owners and expiry of the owners'/shareholders' restrictions, designed to retain the senior staff as part of the sales agreement. This evolution of smaller and more boutique companies popping up post-M&A will continue to provide clients with options to use more flexible and more competitive pricing to get their work done by the consulting industry.

Some of the most notable M&As over the past twenty years include:

Canadian Company	Acquired By	Acquiring Company Head Office
Jacques Whitford	Stantec	Canada
Senes	Arcadis	Nederland
EBA	Tetra Tech	USA
Wardrop	Tetra Tech	USA
O'Conner Associates	Parsons	USA
Morrow Environmental	SNC Lavalin	Canada
SEACOR Environmental	SLR Consulting	UK
MDH Engineered Solutions	SNC Lavalin	Canada
Franz Environmental	Arcadis	Nederland
Hemmera	Ausenco	Australia
SPL	WSP	Canada / UK
Levelton	WSP	Canada / UK
JBA	AMEC	UK
Gartner Lee	AECOM	USA
Rescan	ERM	UK

These trends and the changing landscape in the industry make it even more important for industry leaders to gather and network, share their challenges and successes to better position their organizations in the changing environmental consulting landscape.

F&M Management is organizing the first **Canadian Environmental Engineering Executive Conference (CE3C)** in Vancouver in the Fall of 2018. To find conference information and to participate, please visit the website at: [www.CE3C.ca](http://www.CE3C.ca)

Faramarz Bogzaran, CMC, EP  
Managing Partner

## F&M News

F&M Management Ltd. is launching the first **Canadian Environmental & Engineering Executives Conference**. This will be the only platform for the corporate executives in the industry to annually meet, network, discuss the key issues facing the industry and benchmark the industry trends. The conference will have companies from across Canada and is the only Canadian gathering of the executives in the industry. Panel sessions are designed to discuss the topics that are important to the industry. F&M has already received feedback from select organizations (10) with operations throughout the country regarding the key topics for the panel sessions. The participants will receive a report of the industry benchmarking and will participate in networking events.



Vancouver 2018  
September 19, 20, and 21  
For more information, visit [www.CE3C.ca](http://www.CE3C.ca)



## The Dashboard: An Essential Tool for Strategic Executives



In past articles, we discussed business optimization and strategic management. These concepts rely on the flow of information to company executives, such as KPIs, so that they make informed decision. A key device used for this communication is a dashboard.

Originally, the word dashboard applied to a panel of wood fixed at the front of a horse-drawn carriage to protect the driver from mud or other debris “dashed up” (thrown up) by the horses’ hooves. Commonly these boards did not perform any additional function other than providing a convenient handhold for climbing into the driver’s seat, or a small clip with which to secure the reins when not in use.

When “horseless carriages” were replaced with automobiles this panel formed a convenient location for the placement of gauges and minor controls, and from this evolved the modern instrument panel, although retaining its archaic common name.

For a car, the instrumentation is used to show speed, fuel level and oil pressure, the modern dashboard may accommodate a broad array of gauges, and controls as well as information, climate control and entertainment systems. For a business, the dashboard displays information on how the company is running – key KPIs could include utilization, revenue, contracted backlog, outstanding proposal backlog, proposal win rate, and other KPIs. The company dashboard may also show display other, aggregated indicators, such as metrics from a balanced scorecard program.

The dashboard can be a digital front end connected to accounting and project management systems – or it could be a simple paper report with a few key tables and charts. Regardless of how the information is communicated to an executive, a good dashboard generally has the following features and benefits:

- Visual presentation of performance measure
- Ability to identify negative trends
- Measure efficiencies/inefficiencies
- Ability to generate reports showing new trends
- Ability to make more informed decisions based on collected business intelligence
- Allows executive to easily align strategies and organizational goals
- Saves time compared to running multiple reports
- Gain total visibility of all systems instantly
- Quick identification of data outliers

Vehicle dashboards are generally segmented into different areas that display information for different purposes: engine performance, climate control, entertainment system control, etc.

Dashboards for executives can also be segmented and broken down according to role and are either strategic, analytical, or operational.

Strategic dashboards support managers at any level in an organization, and provide the quick overview that decision makers need to monitor the health and opportunities of the business. Dashboards of this type focus on high level measures of performance, and forecasts. Strategic dashboards benefit from static snapshots of data (daily, weekly, monthly, and quarterly) that are not constantly changing from one moment to the next.

Dashboards for analytical purposes often include more context, comparisons, and history, along with subtler performance evaluators. Analytical dashboards typically support interactions with the data, such as drilling down into the underlying details.

Dashboards for monitoring operations are often designed differently from those that support strategic decision making or data analysis and often require monitoring of activities and events that are constantly changing and might require attention and response at a moment’s notice.

There are many types of dashboards and creating a useful dashboard is not an easy task. When designing a dashboard for your company simply remember these three key elements to a good dashboard:

1. It is simple and communicates information easily
2. It has minimal distractions; the indicators chosen are visual, clear and confusion free
3. It is customized to your business with meaning and useful data

Leroy Banack, M.Sc., EP  
Senior Partner

# Who is F&M

F&M Management Ltd., offers a range of corporate advisory services to the engineering/ consulting and environmental sector with emphasis on the following disciplines:

- Mergers and Acquisitions
- Management Buyouts & Company Valuation
- Strategic Planning
- Business Optimization
- Management Transition & Corporate Restructuring
- Management Training
- Program Management & Implementation

Visit our [website](#) for more information on how we can assist you with your organization’s business success.



## Changes to “Income Sprinkling” Tax Rules



In July 2017, the Government released a consultation paper with proposals to address unfair tax planning strategies using private corporations. The proposals addressing income sprinkling included draft legislation released for comment/consultation.

### What is Income Sprinkling?

Income Sprinkling, which is sometimes known as “income splitting,” is a tax-planning technique intended to shift income from a taxpayer who pays a high rate of tax to another family member who pays tax at a lower rate, involving private corporations. It is the government’s view, that such tax planning strategies that inappropriately reduce personal taxes of high-income earners, can provide unfair tax advantages to high-income Canadians.

### Who is Affected?

According to the government, only an estimated 50,000 family-own private businesses are sprinkling income. This represents only a small fraction - around 3 per cent – of CCPC owners. Businesses with family members who meaningfully contribute to the business will not be impacted, who are the vast majority. However, Chartered Professional Accountants of Canada (CPA Canada) concluded that these changes could have significant impacts on private companies of all sizes, their owners and families, and Canada’s economy overall.

### Summary of Changes

In December 2017, the government has proposed new changes to the income sprinkling rules. According to CRA, these tax changes (which are proposed to be effective for the 2018 and subsequent taxation years) will clarify the process for determining whether a family member is significantly involved in a business, and thus is excluded from potentially being taxed at the highest marginal tax rate (known as the tax on split income or TOSI).

The changes include clear, “bright-line” tests – or off ramps – to automatically exclude individual members of a business owner’s family who fall into any of the following categories:

- The business owner’s spouse, provided that the owner meaningfully contributed to the business and is aged 65 or over.
- Adults aged 18 or over who have made a substantial labour contribution (generally an average of at least 20 hours per week) to the business during the year, or during any five previous years.
- Adults aged 25 or over who own 10 per cent or more of a corporation that earns less than 90 per cent of its income from the provision of services and is not a professional corporation.

Individuals who receive capital gains from qualified small business corporation shares and qualified farm or fishing property, if they would not be subject to the highest marginal tax rate on the gains under existing rules.

Individuals aged 25 or over who do not meet any of the exclusions described above would be subject to a reasonableness test to determine how much income, if any, would be subject to the highest marginal tax rate.

### Sources used for this article:

- [Department of Finance Canada](#)
- [CPA Canada](#)
- [KPMG – Tax Newsflash Canada](#)

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## M&A News

Q4-2017

- **Associated Engineering** (Edmonton), acquired **NOR-EX Engineering** (Kamloops), an ice engineering, environmental program management, disaster recovery planning, and project management support firm.
- **Ausenco Engineering Canada** (Vancouver), an international design firm acquired **Hemmera Envirochem** (Burnaby), a provider of environmental and social science solutions.
- **WSP** (Montreal), acquired **ConCol** (Bogotá, Colombia), a multidisciplinary consulting firm with recognized expertise in power, transport, oil and gas, environment, as well as in project management.
- **SNC-Lavalin** (Montreal), acquired **Data Transfer Solutions** (Orlando, FL), a leader in asset management and geographic information systems.
- **Stantec** (Edmonton), acquired **North State Resources** (Redding, CA), a 60-person environmental consulting firm.
- **Pinchin** (Mississauga), joined with **DEC Engineering Sustainability** (Vancouver), a mechanical engineering and design firm.
- **WSP** (Montreal), acquired **Leggette, Brashears and Graham** (Shelton, CT), a 150-employee groundwater and environmental engineering services firm.



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