



BACKGROUND

HRAI Survey Findings

In an effort to gauge the impacts of COVID-19 on the HVACR sector, HRAI issued a survey to its members late last week over the period April 9-24, 2020. The survey gauged the immediate and short-term impacts of the pandemic on business operations, as well as member perspectives on future impacts. It also asked members about actions taken in response to the immediate crisis, directly and via government programs. In all, 185 members responded to the survey, representing just over 15% of the HRAI membership.

Key Findings

Financial and Employee Impacts

Asked about how much their business revenue has declined year-over-year as a result of the COVID-19 pandemic, two-thirds (67%) of respondents reported a greater than 30% decline, and 27% reported a more than 60% decline (Figure 1). Only 6.2 percent of respondents reported no decline in revenue at all but at the opposite extreme, 8.6% of members have seen over 90% declines.

FIGURE 1

Reduction in revenues since March 15th (year over year)

Answered: 129 Skipped: 3

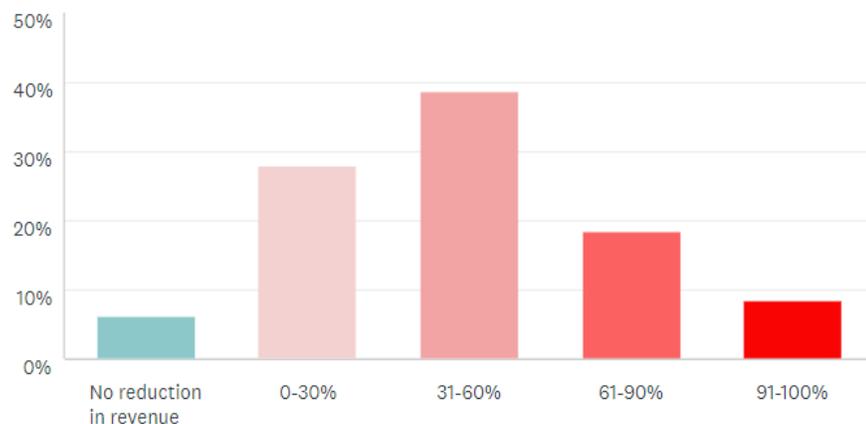


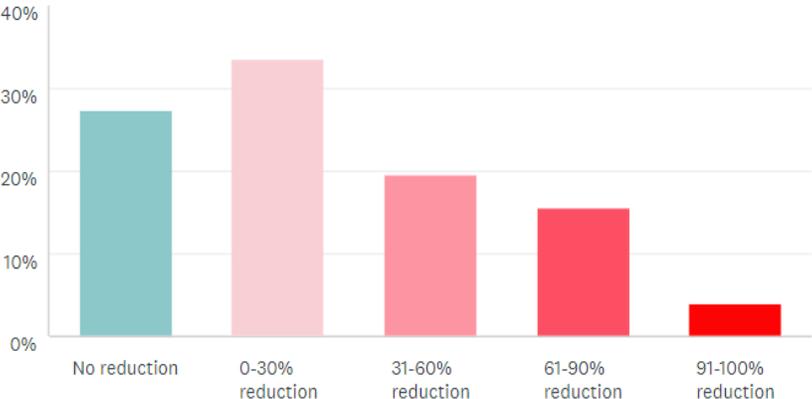
Figure 2 shows that company layoffs have not matched the decline in business revenue, which would indicate that there is a considerable pool of under-utilized labour at present. More than 60% reported laying off fewer than 30% of their employees, and almost half of this group have not laid anyone off. At the same time, 20% of members report having laid off more than 60% of employees and about 4% have reduced headcount by more than 90%.

Among all respondents, the average number of employees laid off was 14, but there is considerable variation around that mean. Fully 50% of companies laid off fewer than three people, whereas a small number of companies have seen drops of several hundred employees. Based on the numbers reported by this representative sample of the HRAI membership, we estimate that, over the entire membership, employee reductions number between 12,000 and 15,000 personnel.

FIGURE 2

Employee count changes to date resulting directly from COVID-19

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Larger member companies with operations in more than one province (about a third of respondents) also reported on the differential impacts on their businesses in different parts of the country (Figure 3). These companies reported by far greater revenue reductions in Ontario as compared with other provinces. In Ontario revenue declines approach 60% while averaging around 20% and ranging from 10% to 30% in all other provinces.

Member Perceptions about Longer Term Effects of the Pandemic

Members were asked to rate on a scale from zero to 100 their level of concern about the long-term viability of their companies in light of COVID-19. The average response to this question was 54, indicating a “moderate” level of concern, but the distribution of responses shows quite a wide variation in attitudes (Figure 4). About a quarter (24%) of members rated their level of concern below 20 on the scale, but almost half scored their level of concern over 60.

FIGURE 3

If your company has sales/operations in more than one part of the country, please specify the percentage change in business activities (revenue) for each province in which you have a presence:

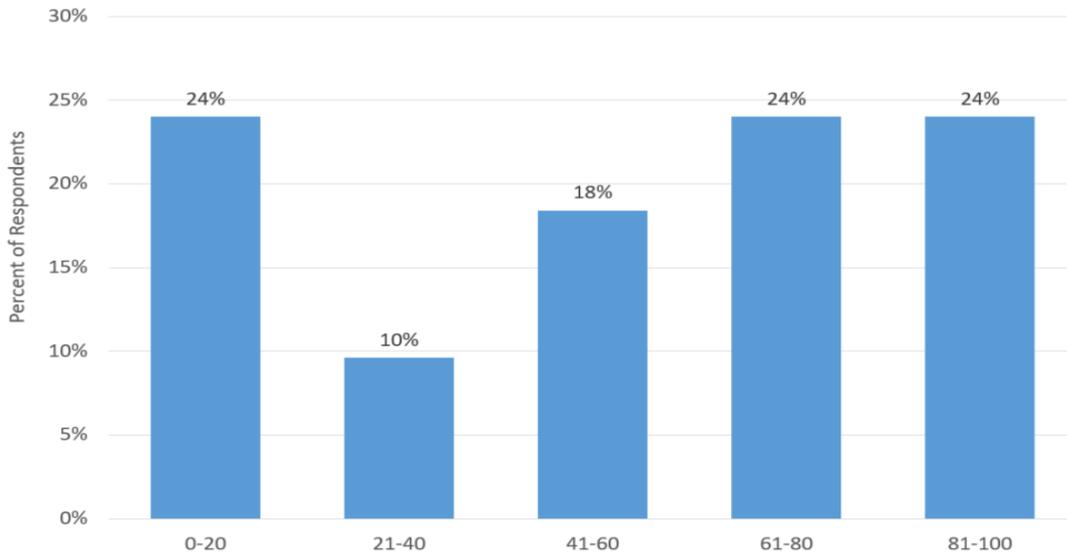
Answered: 59 Skipped: 73



Members were also asked to forecast their expectations concerning short term vs longer term impacts (Figure 5). Over the next month, 89% of members reported that they expect the pandemic will greatly (65%) or somewhat (24%) decrease company revenues. Over the next six months, 31% of members expect significant revenue losses while 55% predict more moderate declines. Only 3-4% of members expect any kind of growth in either of these two time periods.

FIGURE 4

Rating of Concern about Long-Term Viability of Company due to COVID-19 Pandemic (0-100 scale), Distribution of Responses



Projecting forward over the next year, members expressed only a little more optimism. About 16% of members foresee some increase in revenue, while 39% predict moderate decreases and 20% still see major decreases. Looking further ahead to five years from now, about 20% of members predict increases, while 23% still anticipate negative impacts and 36% foresee no impacts. Not surprisingly, about 21% felt there was too much uncertainty to make any prediction for five years ahead.

FIGURE 5

How do you think the effects of the COVID-19 pandemic will impact the overall revenue of your company across the following time frames?

Answered: 129 Skipped: 3



Responding to COVID-19 Relief Options

Finally, HRAI also asked members about how they expect to deal with the COVID-19 pandemic.

In terms of federal relief programs, about 39% of respondents said they would take advantage of the Canada Emergency Wage Subsidy (CEWS) program, and almost 43% will be taking advantage of the Canada Emergency Response Benefit (CERB) for employees. Only about 22% reported that they expect to benefit from federal emergency business loan programs.

About a third of members expressed an interest in taking advantage of federal or provincial subsidies aimed at encouraging online upgrade training during this time of reduced business activity. When informed that HRAI will be exploring an increase offering of online training, almost 90% of respondents expressed an interest in participating, with a large majority of them (75%) expressing an interest in technical design training and another 45% wanting to see sales training.

FIGURE 6

HRAI is exploring the expansion of training offering in a virtual (online) setting. Is your company interested in participating in online/virtual training?

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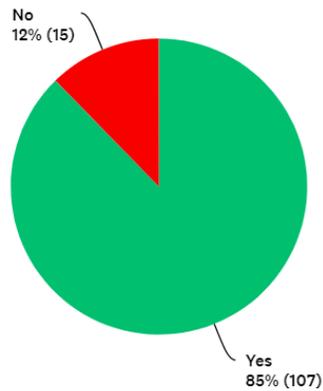
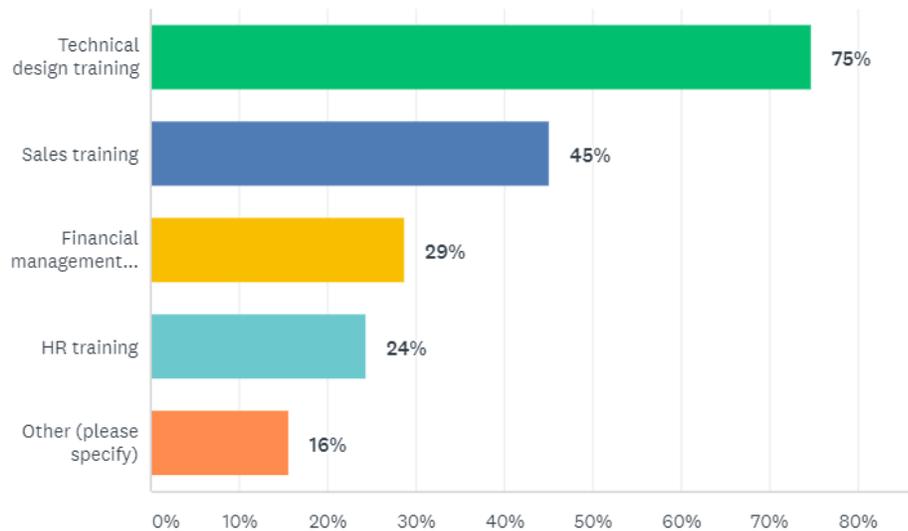


FIGURE 7

What types of training would be of interest to your company?

Answered: 115 Skipped: 17



About the Survey

One hundred and eight-five HRAI members responded to the survey, representing about 15% of members. Almost six out of ten of these (59%) were contractors, 14% were

manufacturers and 21% were manufacturers (Figure 8). Pretty much all types of products and markets are represented, and the size distribution of responding companies ranged fairly evenly from the smallest companies (1-5 employees) to the largest (over 500) (Figure 9) and across different markets (Figure 10). We can say with confidence, therefore, that the results are representative of the HRAI membership, and more broadly, the HVACR industry in Canada.

FIGURE 8

Type of company

Answered: 183 Skipped: 2

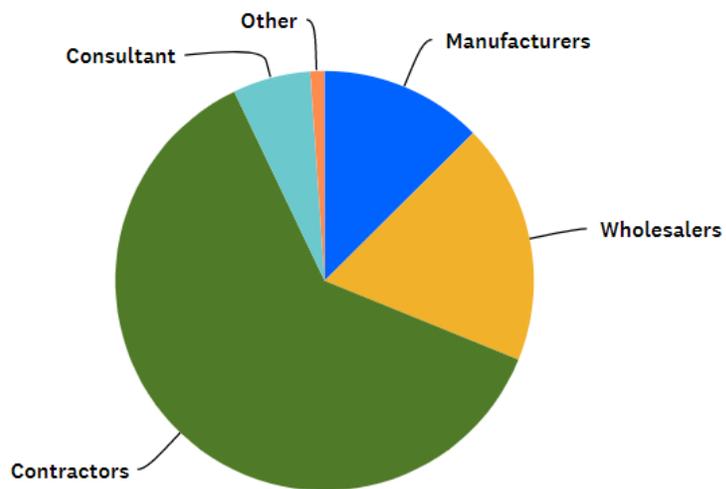


FIGURE 9

Size of company (number of employees)

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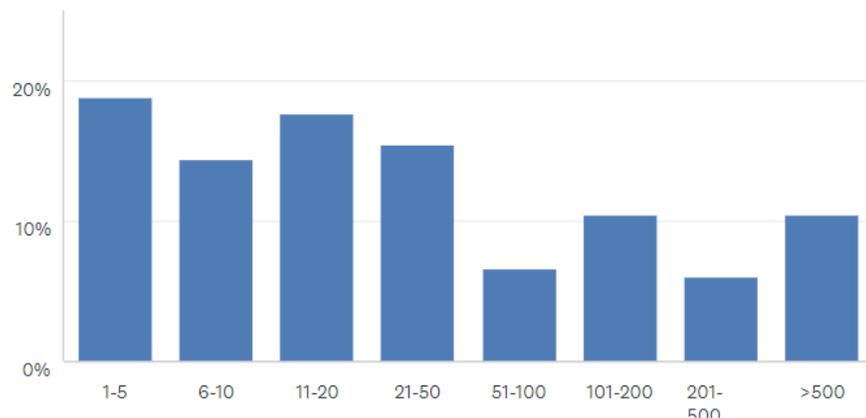
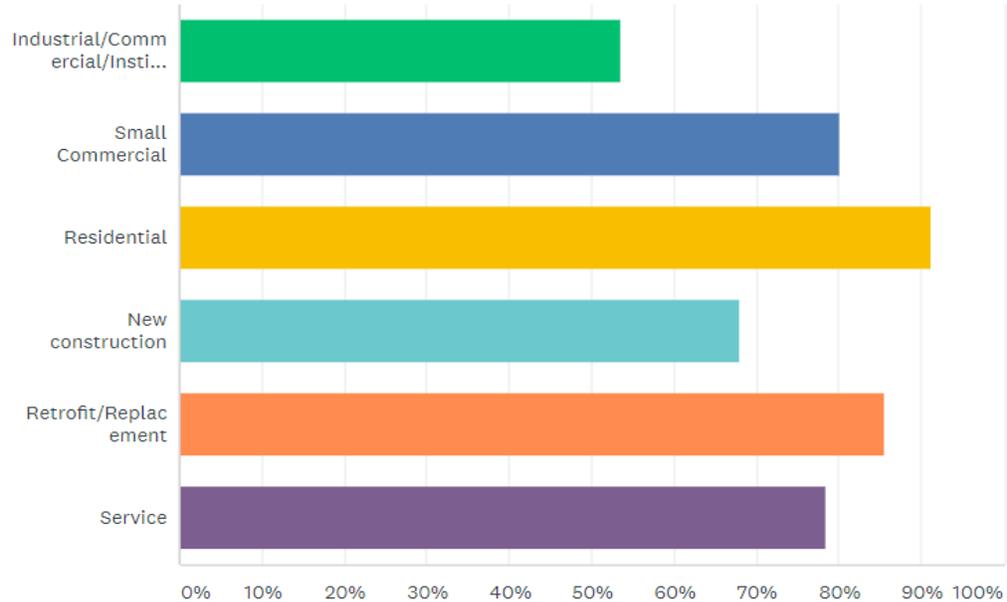


FIGURE 10

Markets served (check all that apply)

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A Final Note

This backgrounder only touches on some of the key findings from the recent survey. There is considerably more information that is being compiled and processed that will help HRAI to understand the impacts of the virus on this sector.

About HRAI

The Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) is a non-profit national trade association representing over 1,150 member companies in the heating, ventilation, air conditioning and refrigeration (HVACR) industry. Our members include manufacturers, wholesalers and contractors who employ over 50,000 people in Canada and represent an industry that delivers more than \$7 Billion annually to the Canadian economy.

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