



# The Oilsands Challenge

Construction companies are grappling with the complex challenge of completing oilsands projects. For all involved, labour is at the heart of the issue

**C**all it the **Bitumen Big Bang**. Soaring energy prices, new and emerging extraction techniques, accelerating global demand and a wealthy oilpatch sitting on abundant capital reserves have combined to ignite a frenzy of fiercely concentrated activity in Alberta's oilsands regions, home to the most extensive hydrocarbon resource on the planet. What's happening in the oilsands represents more than a boom, more than an explosion. It's bigger than the Klondike and the California Gold Rush rolled into one. ►



SEEKING OILSANDS  
SOLUTIONS

Oilsands mega-projects  
looking for skilled  
workers and apprentices.  
Affordable housing and  
improved infrastructure  
also required.

Insiders say the unprecedented demands of oilsands megaprojects are leading to a grassroots makeover of the heavy-industrial construction business, as it stretches limits and expands horizons following a lengthy, fallow period of relative slumber. “We’re taking part in the wholesale redevelopment of the construction industry.

It basically went to sleep for 25 years or so, for an entire generation, really” says Wayne Shaw, senior vice-president of infrastructure services for Flint Energy Services Ltd.

If, as Shaw says, the industry is re-inventing itself, it’s being forced to do so on the job. The sheer magnitude, variety and range of these oilsands projects is almost overwhelming. The list stretches from Canadian Natural Resources Limited’s \$10-billion plus Horizon Project to the \$3.4-billion Long Lake Project, an Opti Canada/Nexen joint venture that is under construction 40 kilometres southeast of Fort McMurray. And for every oilsands project that is underway, there are fresh regulatory approvals granted. Meanwhile, holdover pioneers such as Syncrude and Suncor each have plenty of projects in process.

Obviously, this torrent of activity has placed a staggering burden on even the most experienced construction professionals. As the energy sector finalized oilsands development budgets totalling an astonishing \$8.8 billion for the current year, Alberta’s broad-shouldered industrial builders are doing their best to meet deadlines. Hot-button issues such as a lack of affordable housing and transportation needs are being vigorously debated. Many and varied solutions are being proposed in company boardrooms and behind closed council doors. But industry participants and watchers agree these questions pale in significance to the universal issue that rises to everyone’s lips: Where do we find the people to get the jobs done?

“We’re stretched to the limits right now, particularly in terms of skilled workers,” says Brad Anderson, executive director of the Construction Owners Association of Alberta (COAA). “We’re looking at \$100 billion in activity during the next 10 years, one mega-project after another, all the way down the line,” he continues.

Despite the best efforts of government and industry, the situation won’t be resolved anytime soon. Jobs for as many as 100,000 skilled workers may go begging by the time current oilsands megaprojects hit their expected stride (2.7 million barrels a day) in 2015. “It’s unprecedented,” Ander-

### Division 8 ensures stability for mega-projects

A \$10.8-billion investment to build a giant mine and processing facility to turn oilsands into sweet crude will make a big economic splash, rippling well beyond Fort McMurray.

Citing the huge economic and social dividends reaped from the Horizon Oil Sands mega-project, the Alberta government invoked Division 8, a little-used section of the Alberta Labour Relations Code, to allow Canadian Natural Resources Ltd. to negotiate an agreement with one or more bargaining agents through September 30, 2014.

The decision to place the project’s construction under Division 8 and turn it into an open site angered labour unions affiliated with the Alberta Building Trades Council, who had previously dominated construction projects in the oilsands industry. “Historically, the building trades have entered into project labour agreements (PLAs) with other oilsands producers such as Syncrude, Suncor and Shell’s Albian Sands,” explains Dick Heinen, Alberta regional director for the Christian Labour Association of Canada (CLAC). “These PLAs would exclude CLAC and open-shop employers from work sites.”

Lynn Zeidler, vice-president of Horizon Construction Management Ltd., believes the controversy surrounding this use of Division 8 is that it allows open-shop labour and CLAC to compete fairly against Building Trades unions for the first time. When Division 8 was used to build the original Suncor and Syncrude projects in the 1960s and 1970s, traditional trade

unions bid against each other on open sites because the labour movement was much more fragmented at that time. “We’re looking to open the marketplace to as many contractors as we can regardless of labour affiliation. They should be allowed to compete for work,” says Zeidler. “We’ve broken down the work into 600 smaller projects, which means a whole range of contractors can compete to do the work. That provides the stability for the project that we are looking for.”

Horizon Construction, which is overseeing the massive project, has drawn up three basic agreements for building trades unions, CLAC and open-shop labour working on the project. The arrangement pleases Heinen, whose members will make slightly less on an hourly basis than their building trades unions counterparts, but have the potential to earn more through productivity and safety bonuses. “This builds in flexibility while ensuring our members don’t take the brunt of the competition,” says Heinen. “The competition should not be done at the level of the labourer. It should be done based on productivity, efficiency and effectiveness.”

That rings nicely for Zeidler, who says Division 8 has allowed contractors who have never competed for work in oilsands construction to bid competitively on jobs.

“We’ve been quite aggressive in going out and finding contractors who have not competed in this market before,” she said. “We’re committed to providing our shareholders with a secure supply of labour,” says Zeidler.

son says. “With that kind of activity, you’re hard pressed to find any other place in the world to match it. And in Alberta, we’ve got a population of only about 3 million people trying to deliver it.”

NOBODY SAID IT WOULD BE EASY. ON the bright side, executives and their colleagues across the industry are reacting to the boom times in any number of innovative ways.

Many have realized it’s time to update their HR models. In response to new pressures, recruitment techniques, training and staff development have evolved rapidly. Experts believe new strategic directions will enhance corporate effectiveness and profitability over the long term.

Flint Energy Services, a large Canadian-owned construction contractor that specializes in energy-related construction, currently employs 1,400 tradespeople in

its infrastructure services division. The company has been successful in meeting staffing quotas by finding new twists for traditional recruitment methods.

Currently under contract to three major oilsands clients, Flint Energy’s infrastructure services team will complete \$300 million in oilsands business this year. Under

pressure to deliver, Flint Energy feared its productivity could be impaired by a lack of skilled talent, so the executive team actively recruited managers from unrelated industries. “In our management ranks, we have people who came from Nortel Networks,” says Wayne Shaw, vice-president of infrastructure services. “They have good project

management skills and general management skills. They’ve adapted well.”

At the same time, Flint Energy recruiters have drawn trades-level talent from both the mining and pulp and paper industries during a national recruitment campaign while expending enormous energy on attracting youngsters from polytechnical schools and

## FLINT RECRUITERS HAVE DRAWN TRADES-LEVEL TALENT FROM BOTH THE MINING AND PULP AND PAPER INDUSTRIES DURING A NATIONAL RECRUITMENT CAMPAIGN.

even high schools. “We’re bringing apprentices and people in from other industries who don’t necessarily have a background in oil and gas so there is an extensive training component on the worksite,” says Shaw. In his view, Flint Energy has responded to staffing needs by means of a wholesale paradigm shift.



## THE OILSANDS CHALLENGE



MEGA-PROJECT: Syncrude Canada's Mildred Lake upgrader plant near Fort McMurray

CP PICTURE ARCHIVE

THESE LABOUR ISSUES HIGHLIGHT THE importance of ongoing, on-site training. Seasoned player Cord Projects Inc. was responsible for installing the mechanical and electrical package at EnCana Corporation's Christina Lake SAGD facility in

employee base of 250 by hiring several first-year apprentices out of NAIT's pre-trades program. "Everybody's known for the last five years that we'll be in a labour shortage situation. Now we're realizing the only solution is to take positive steps to address

and field installations related to various oilsands SAGD projects in Fort McMurray. Proactive planning has been critical to dealing with schedule changes and delays that arise as result of labour, equipment and supply problems. "Labour is one piece of the puzzle, but all the pieces – people, engineered drawings, materials or equipment – are all related," says Dean Samaska, vice-president of corporate development. "It makes it very hard for a company to meet the expectations of its customer if one piece goes awry and impacts the project." Like it or not, companies working on projects have to accept the reality that schedules shift when all the pieces don't fall into place. "Part of your ability to respond to things quickly is having access to people who are ready and available to work. We have to ask ourselves, 'Can we add more people to a compressed schedule?'"

**"PART OF YOUR ABILITY TO RESPOND TO THINGS QUICKLY IS HAVING ACCESS TO PEOPLE WHO ARE READY AND AVAILABLE TO WORK. WE HAVE TO ASK OURSELVES, 'CAN WE ADD MORE PEOPLE TO A COMPRESSED SCHEDULE?'"**

2002. More recently, it put in an additional well pad, while installing gathering lines to transport steam and bitumen to and from the main SAGD processing unit at Petro-Canada's MacKay River jobsite. Cord has upgraded its training and development model, generating a multi-point program called the Cord Labour Supply Tool Kit.

"It's all about methods of attracting and retaining good people," says Don Hutchison, a senior manager in EPC/construction services. "We're being very strategic." The company has reinforced its

it," adds Paul Lessard, Cord's director of project development. "We are very deliberate in executing our training and development program. We realize that without good people, we will lag," says Lessard.

LABOUR PROBLEMS REVEAL THEMSELVES in frustrating ways, especially for service companies. Consider Calgary-based Pillar Resource Services Inc., a mid-sized oil services company that employs 500. Among other assignments, Pillar has been asked to produce fabrication modules

Samaska keeps a database on hand at all times to help him maximize his manpower. The database details which projects employees are currently working on, former employees and prospective job seekers. When projects are in their final stages or



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schedules adjusted, workers are placed where needed, instead of being sent home for weeks or being poached by a competitor. "In a market like this, you can't afford to be falling on your heels and letting people slide out of your fingers," says Samaska.

HARD LESSONS HAVE ALSO BEEN learned by John Cousins and Jerry Caul, partner-owners of I-CODA Constructors of Edmonton, which recently wrapped up an \$8 million, multi-pronged task on the site of CNRL's Horizon Project. Cousins, president of the heavy-industrial contractor, puts it quite succinctly, "My partner and I have decided never to offer a hard-dollar cost estimate for an oilsands project. There are too many variables. Don't give your cus-

tomers a fixed price because cost over-runs can easily go as high as 30% or 35%."

Hired by Zenon Environmental Inc. to complete a number of Horizon-related assignments, I-CODA brought a 70-member team to the site. I-CODA workers balked when asked to stay in work camps. The company was then obliged to cover their accommodation costs in overcrowded Fort McMurray, while offering an off-site travel allowance every 10 days for skilled workers imported from B.C. and Saskatchewan, as well as Alberta.

Fort McMurray's housing problems are critical, a casualty of the energy industry's phenomenal economic growth. Apartment rents are the highest in town, an average of \$1,500 for a two-bedroom

apartment, and the vacancy rate is less than 1%. The effort to alleviate the town's housing problems is already underway. Much of the region's land is owned by the provincial government, but it is slowly selling off acres to private developers in the coming years to build 6,000 units. In February, an Edmonton developer was granted approval to build two condominium towers – a 31-storey and a 26-storey – in Fort McMurray that may include rental apartments.

IF ANYTHING, THE HOUSING SHORTAGE unintentionally highlights the region's labour shortages. Where will developers find workers to build these new housing projects? And where will the workers stay

### Healthy camps produce happy workers

Fort McMurray's work camps for out-of-town construction workers would never be mistaken for life at the Ritz. There are no swimming pools, day spas or five star cuisine to brag about.

To attract workers, and get a leg up on competition, many oilsands companies and industry associations have started to take a serious look at how to improve camp life.

In 2004, a study was written by Ray Pennings of the Work Research Foundation on the important issue of labour mobility and it addressed the demand for skilled workers. The report included surveys of 875 workers lodged at three oilsands camps near Fort McMurray. While camp life has improved over the years, respondents often complained of lack of privacy and personal space eroding the quality of life.

Those complaints were not lost on Canadian Natural Resources Ltd., the Calgary-based company that is constructing three camps to house the 6,000 workers that will build its \$10-billion Horizon mine and processing plant. Workers will be able to get their caffeine fix at a Tim Hortons located right on the site, surf the

Internet or work out at a recreation complex that will include a skating rink and surfaces for year-round sports.

CNRL has also tried to address another issue raised in the council's study by breaking up its Horizon project into 600 smaller projects. This division of labour allows smaller contractors to bid on contracts and keep their existing crews together to build a sense of camaraderie in the camps, something recommended by workers surveyed in the council's study.

Other established companies are busy making major renovations to ensure they can retain and attract workers. Suncor, the oldest oilsands player, has expanded both the services and menus available to the 3,400 workers at their Millennium and Borealis camps. "We're working to improve the food so there's better selection and good nutritional value," says Darcie Park, a spokesperson for the Calgary-based com-

pany. "We've introduced Internet cafes, which are really popular for many of our workers who are far away from home. It's an easy way for them to stay in touch with family and friends."

Suncor has also targeted apprentices by establishing an on-site program that allows them to live, work and study in one place. "They miss fewer shifts and don't have to travel," said Park. The company recognizes, however, that it may take more than offering bean sprouts and high-speed modems to improve morale, so Suncor has established a camp steering committee to oversee ongoing improvements to its lodgings for out-of-town workers. "We are going to continue to make improvements because we realize it is essential to our ability to attract and retain workers," says Park.





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when the work is underway? Until a solution is found, employers will continue to house their staff in work camps, extended-stay hotels and fly workers into the city.

Somewhere after labour and housing shortages, twinning Highway 63 is a priority on the wish list. The road, the only paved

trees for a section of the twinned highway from south of Fort McMurray to Highway 881. When the project is finished, the expanded highway will support the movement of goods, equipment and people for the growing region. Like most infrastructure projects in the region, the \$650-million highway plan will likely have a tough time competing against the oilsands industry to hire workers.

### LIKE MOST INFRASTRUCTURE PROJECTS, THE \$650-MILLION HIGHWAY PLAN WILL HAVE A TOUGH TIME COMPETING AGAINST THE OILSANDS INDUSTRY TO HIRE WORKERS.

link to the region, has a steady stream of slow-moving semi-trailers transporting industrial equipment used to build the various oilsands projects, as well as regional log hauling. Highway 63, which was there when Fort McMurray's population was 30,000 in 1993, can barely accommodate the town's 60,000-plus permanent residents today, and may ultimately hinder the economy.

Work is underway this year to clear the

PROACTIVE EMPLOYERS WILL NEED TO stay on their toes because industry-watchers warn that worker shortages will only get worse in the years to come. "The onslaught of new projects combined with the retirement of older workers will present huge challenges to the industry over the next 10 years," says Brent Rathgeber, executive director of the Progressive Contractors Association of Alberta.

On the bright side, Anderson of the Construction Owners Association of Alberta hastens to point out certain positive trends, as industry and government alike race to avert the crisis. Anderson credits the province for jumping in with programs to assist with skills upgrading, job search services, career counseling and language training. "We approached the government about journeymen to apprentice ratios, and they've allowed us to have more apprentices on the job," says Anderson.

The numbers back Anderson up. Overall apprentice numbers across Alberta have almost doubled during the last 10 years. Increased training grants for low-income and disabled workers should also lighten the load.

Anderson also extends kudos to the provincial ministries of Human Resources, Environment and Advanced Education for advocating solutions such as Building and Educating Alberta's Workforce, a new, strategic approach to skilled labour issues.

Meanwhile, new provincial policies have also been put in place to attract skilled immigrant workers to Alberta. For the construction industry, the outlook has never been more bullish. And the best-positioned players are those which rise to the challenge in the most intelligent ways. 

### Laying out the welcome mat for foreign workers

Once a week, new Canadians employed at Colt Engineering put down their drafting pencils and spend the afternoon learning English. The class teaches grammar, communication and pronunciation. Improving communication on the job is one goal of the program developed by Norquest College, but the language training also makes the students feel more comfortable participating in casual chit-chat.

Employers of foreign workers do their part taking care of hard issues like contracts and work permits. But they tend to lag on soft issues that play a vital role in helping immigrants feel welcome and adjust to a new culture – providing language skills, access to basic settlement housing, health, educational and cultural services.

Directions for Immigrants in Trades and Professional Careers (DITPC) assists foreign-trained skilled immigrants seeking employment within their field in Calgary. The project's website, [www.ditpc.ca](http://www.ditpc.ca) is also a useful information portal to help

new-Canadians adjust to life in Canada.

If employers can help make the transition smoother for foreign workers, they are more likely to retain these workers. "It's important to link immigrants with other people, preferably from their country of origin," says Sharon Blackwell, regional Communications and Operations Manager, Alberta Human Resources and Employment. "Immigrants tend to leave communities when they can't find people from their same ethnic background."

Most of the things that an employer should do are simply good HR practices that should already be in place – partnering up a new worker with someone who has been employed with the company for awhile. "Create opportunities for all employees to get together to learn and celebrate each other's cultures because that starts the dialogue," says Blackwell. "While it makes you celebrate the differences, it makes you realize that we are all in this together."