

Until recently, large construction projects in Alberta adhered to a closed shop model. Now, contractors and owners are breaking free of it

Breaking the Mould

BY JOEL THOMPSON

Industrial construction in Alberta is experiencing an unprecedented boom, thanks to massive investments in oilsands projects. Record high oil prices, declining conventional production and political turmoil in many of the world's oil producing regions combined with ever-improving extraction technology for oilsands have triggered a tidal wave of new investment. The statistics for material, labour and equipment are mind-boggling and the continuing run of projects easily ranks as the biggest construction investment in Canadian history.



Despite their remote locations, these oil-sands projects have garnered a great deal of publicity. There are likely few people anywhere in Canada who don't have some idea that big things are happening in northern Alberta. While everyone may have heard of the construction in the oilsands industry, most are unaware that a fundamental shift has occurred in the project delivery model for these industrial mega projects.

Until recently, all large energy industry construction projects in Alberta adhered to a model that designated them as union-only closed shops. Usually, that included a project agreement entered into between the owner/sponsor and the International Building Trade Unions as sole-source providers of construction labour. Non-union contractors were barred from participating in these projects.

In some of the recent projects, that union monopoly was broken and there is now a conspicuous effort by some owners to ensure unrestricted access to their sites to all qualified contractors and workers. After so many years, the mould was broken.

Probably the biggest impetus for the move to a different model of project delivery arose from a series of major projects that produced unsatisfactory results. This run of industrial mega projects began with construction of Shell's Caroline Gas Plant (1991-93). This was followed by some even larger jobs: Nova's polyethylene plant at Joffre (1999-2001), Shell's opening of an oilsands mine and upgrade of their Scotford refinery (2001-03), and ongoing major expansions to Syncrude and Suncor oilsands operations in Fort McMurray.

All of these projects were completed under the union-only project agreement model and suffered from large cost and schedule overruns. Understandably, these results triggered an intensive examination into what was going wrong with industrial construction in Alberta. That scrutiny identified poor project

definition and insufficient upfront engineering as the biggest problem areas; but labour supply and productivity were also seen as factors contributing to substandard outcomes.

Owners had bought into the closed shop project agreement strategy for labour supply because it promised both labour peace and timely supply of skilled workers. The actual experience on this run of projects was that it did not deliver on either of those key promises. While the project agreements contained strike/lockout pro-

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visions, they were unable to prevent wild-cat walkouts and wobbles. The promise of adequate labour supply was also not realized, as the peak manpower demands from simultaneous major projects left the union hiring halls unable to fill calls. Project post-mortems also identified labour productivity as an important component of cost and schedule overruns with key output unit measurements, such as inches of welding per hour, often falling far short of expectations and benchmarks from similar projects in other parts of the world.

Many observers believe Suncor's Firebag Project marked a turning point in the history of the industrial construction market in Alberta. Firebag is an in-situ oilsands development located northeast of Suncor's original mine and upgrader. While Firebag wasn't a huge project by oilsands standards (\$610 million for Phase One), it was still a major development. It was close to the centre of the unions' Fort McMurray stronghold and was sponsored by an owner who had previously adhered closely to the union-only closed shop model.

Suncor's construction manager, Don Mousseau, explained that the Firebag strat-

egy was part of an effort to control costs all along their supply chain. "We wanted an open site and we've moved away from the closed-shop, union-only model. We want to see competition and we want to see the value that we have seen in our Firebag project. We are still going to need all sectors of the industry, but we are looking for value and safe project execution."

Suncor's new strategy at Firebag delivered the results they were seeking – on time and on budget. The facility produced its first steam in September 2003 and first oil in January 2004. Phase Two was recently completed and subsequent expansions through to Phase Six will follow. The results at Firebag are in sharp contrast to neighbouring projects: Suncor

Millennium – six months behind schedule, 70 per cent over budget; Shell Albian Sands – six months behind schedule, 60 per cent over budget; Syncrude UE-1 – 18 months behind schedule, 100 per cent over budget.

While the Firebag project may be regarded as a turning point, it was probably more part of an evolution rather than a revolution. Other developments, particularly in-situ projects, were being successfully completed as open shop jobs during the same time period. Those included major projects by EnCana and Esso that escaped much notice because they were located in the Cold Lake/Bonnyville region, outside of the union-dominated Fort McMurray market. Petro-Canada's MacKay River project was also completed on an open shop basis.

Confirmation of the move away from a closed shop model for industrial construction came with two subsequent oilsands developments: Canadian Natural Resources Limited's (CNRL) Horizon project and OptiNexen's Long Lake project. Early on the owners announced that these projects would be managed as open sites.

The Horizon Project, at more than \$10 billion, is the largest construction project

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Les LaRocque is President of Botting and Associates Alberta Ltd., one of a growing number of contractors faced with a shortage of highly skilled workers. It's a challenge he's overcome with membership in Merit Contractors Association.



Merit Contractors Association is a voice on behalf of the construction industry, providing human resource solutions for open shop contractors and their employees, including comprehensive benefit and retirement plans, training programs and job search assistance.

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ever undertaken in Canada. When work began, the project was entering a market that was already experiencing serious labour shortages. CNRL recognized that an effective labour strategy would be essential if the project was to be successful. They concluded that for a project of this size in a difficult labour market, they would need to access every potential supplier and that it would be counterproductive to exclude anyone – contractor, supplier or worker. As CNRL senior vice-president Réal Doucet noted, “We want to open up this project to every worker in Alberta. We want to become the preferred site for workers in Alberta and across Canada.”

Predictably, the Building Trade Unions reacted very negatively to the open site approach and the end of their longstanding monopoly. However, Horizon and Long Lake are open sites, not non-union or Christian Labour Association of Canada (CLAC)-only sites. Wages and working conditions are essentially identical to the competing union-only sites and despite the talk about a boycott, Building Trade contractors and their workers have extensively participated on these sites from the early stages.

Having always been shut out of major projects, there are only a few open shop industrial contractors who have the capacity to complete multi-billion dollar projects. Building Trade Union contractors and their workforces will likely complete a significant amount of work on these newest mega-projects. There is no question though, that there has been a fundamental shift in the project delivery model for industrial construction in Alberta. The workforce on these sites is a combination of union, non-union and CLAC forces. The strict separation of the past is gone, replaced by a more flexible model. There is every indication that these mega projects are experiencing the same benefits as the smaller open shop sites that preceded them and that the open site model will become an accepted best practice for industrial construction in Alberta. 

Union Membership in Construction, 2005

	Non union (%)	Union (%)	Total number of employees ('000)
Atlantic	78.3	21.7	48
Quebec	48.9	51.1	134
Ontario	69.1	30.9	267
Prairies	81.5	18.5	146
British Columbia	77.5	22.5	103
TOTAL IN CANADA	69.8	30.2	698

Source: Statistics Canada, Perspectives on Labour and Income 2005

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