

THE LABOUR STRATEGY THAT WORKED

BY DENIS BOBIY

A CONSTRUCTION FEAT: The Horizon Oil Sands project north of Fort McMurray employed more than 800 contractors during Phase 1 of construction.

Some wise negotiating allowed Canadian Natural Resources Limited to access the best open shop and union workers from across Canada for the initial phases of the Horizon Oil Sands Project



When it's at full production, Canadian Natural Resources Limited's multi-billion dollar Horizon Oil Sands project is targeted to produce a whopping 232,000 barrels-per-day. But transforming the project site from isolated fields and forest approximately 70 kilometres north of Fort McMurray into its present day state was no small feat, and required some innovative labour negotiations on the part of Canadian Natural in order to bring together more than 800 contractors, both open-shop and union, from all across Canada.

Construction began on the project in 2004 and will be completed in three stages. First production commenced in February 2009 with design capacity for 110,000 barrels per day of synthetic crude oil.

Prior to beginning the project, Canadian Natural's project team undertook extensive reviews of previous projects in an attempt to learn, and understand, the factors of major project performance. It met with many owners, engineering firms and construction contractors.

The project team's findings led it to adopt a number of key strategies, which included focusing on preparedness, breaking the project into manageable pieces and optimizing project definition before construction. Experiences of other major projects clearly identified that the timely supply of qualified labour and the availability of experienced and competent contractors were significant components of a successful construction execution.

Project Labour Strategies

Plans for Phase 1 of the project placed construction between 2004 and 2008, a time span when Alberta was to see the construction of a number of other major projects. The concern about the availability of skilled workers and qualified contractors led Canadian Natural to adopt a "managed open site" labour strategy, which would enable it to access the national construction community – contractors and tradespersons – regardless of their union status or affiliations. To further attract and retain workers, the owner undertook a large-scale fly-in/fly-out program, which provided free air transportation for workers from hubs near their primary residences, to the project

and then back to their residences again. Workers were also provided free room and board in on-site camps.

Labour stability was a prime concern for Canadian Natural. It wanted to establish a “level playing field” for all contractors and workers on the project. In addition, the planned construction duration of the project covered a number of construction industry collective bargaining periods. Canadian Natural was also seeking a labour relations vehicle which would provide labour stability and common employment terms and conditions for employers and their employees on the project, regardless of their union status/non-union status or specific union affiliation.

In the instance of non-union employers, the project’s labour execution strategy provided representation for their workers by the Christian Labour Association of Canada (CLAC) and a benefits/retirement plan for workers if the employer was not a participant of a recognized industry plan, such as the Merit Benefit Plan. In the event that a contractor became certified by a union, the non-union contractor was assured the right of maintaining the commercial terms under which it had contracted to do the work, through to work completion. Effective management of site access (flights) and site logistics (busing and accommodation) were also key considerations.

The owner approached the affiliates of the Alberta Building and Construction



negotiations could result in the absence of an acceptable project labour agreement, examined its alternative options. As a result of this review, Canadian Natural chose to make an application to the provincial government to request Division 8 designation for its project, in accordance with provincial labour legislation. If granted, the designation would provide the project a “no strike/lockout” status and enable the owner, or its principal contractor, to negotiate a project labour agreement with a union or group of unions. The review process was interrupted due to a provincial election fall 2004. Cana-

this same period, the owner approached CLAC to engage it in discussions related to a project labour agreement under the Division 8 designation. Negotiations with CLAC began in January, and in April 2005 the parties concluded an umbrella agreement for the project.

The agreement ensured a managed open site and set standard terms only in areas necessary to support labour stability. It established a level playing field for both union and non-union employers and facilitated successful management of site logistics and infrastructure. As an example, for employers affiliated with the Alberta building trade unions almost all of the terms and conditions of their provincial collective agreements were grandfathered in the Division 8 agreement. For CLAC affiliated employers, the Division 8 terms and conditions were closely aligned with key CLAC employer provincial collective agreements.

Negotiation Outcomes

With the completion of Phase 1, Canadian Natural had the opportunity to assess the effectiveness of the elected labour execution strategy. The adopted strategy produced a number of highly successful results. The project attracted a significant number of employers and employees from not only

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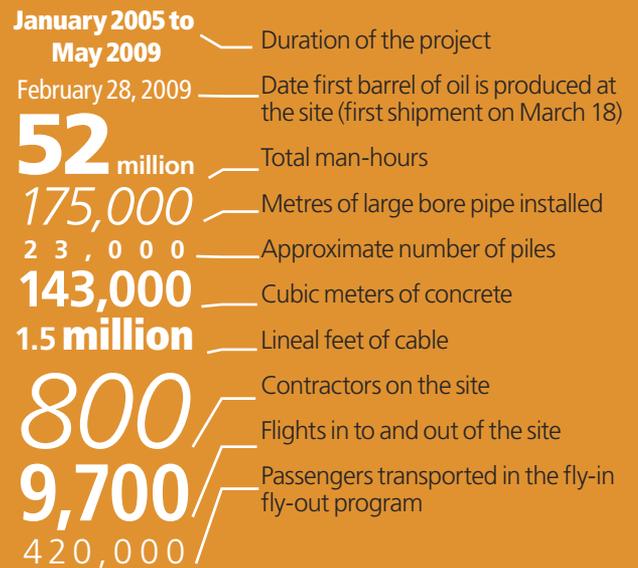
Trades Council in the first quarter of 2004, with the intent to conclude a project labour agreement for the duration of construction of the project. Discussions continued into the end of the third quarter in 2004 without success. Canadian Natural, concerned that prolonged and unsuccessful

dian Natural was subsequently granted the Division 8 designation in early December.

Intensive negotiations continued between the affiliates of the Alberta Building and Construction Trades Council and Canadian Natural in Q1 of 2005, but they did not reach an agreement. During



Horizon Phase 1 Construction by the Numbers



Alberta and Western Canada, but also from Central and Eastern Canada. Many of these workers were first-time participants in the Alberta industrial construction industry who previously would not have been able to secure jobs and support their families. Many of these employers, and their employees, remained in the province, and others will return for future opportunities. This bodes well for future Alberta projects.

The elected strategy, combined with the logistics of flights, shift cycles and camp facilities, clearly facilitated the engagement of workforce members and construction contractors, who might have otherwise been excluded from the project due to the potential for labour conflict and instability. This included local workforce members, and local and aboriginal businesses and contractors. As with the aforementioned instance, the introduction of new contractors to the oil sands will make the Alberta marketplace more competitive and will assist the industry in developing new business opportunities. These new contractors also have the potential to increase and enhance employment and business opportunities for Canadians and Canadian companies.

The fly-in/fly-out program was a huge success and a major contributing factor in

the ability of the project to successfully attract and retain the required labour resources. Without this service, many workers from other regions of the country would not have been able to access jobs at the site. The umbrella agreement facilitated by the Division 8 designation continues to serve the project well in terms of providing the sought-after labour stability and the provision of terms and conditions conducive to a level playing field for all participants.

The project also incurred a number of setbacks. The execution strategy was more difficult to implement than the more commonly used traditional approaches in the industry. Initially, all contractors incurred difficulty managing the workforce related to the shift cycles. Although some of the Alberta building and construction trade unions did agree to work within the Division 8 agreement, the inability to successfully conclude an accord with all of these building trade unions detracted from the

ability of the project to optimize the engagement of its affiliated building trade union contractors and union members.

The perception by unions that the need for extended shift cycles was driven by anti-building trade union sentiment, or unwillingness to pay double-time, rather than the need to manage site logistics and ensure equitable treatment of the workforce, was a further impediment to the inability of the parties to effect a resolution to the negotiation process. Another significant disappointment was the project-wide level of productivity. Based on the degree of front-end preparation and commitment to

preparedness for construction, actual results were less than anticipated. Additional areas of project performance that were less than expected included some absenteeism, high employee turnover, early quits and late starts. Although the latter are comparable to industry standards, they are still deemed less than acceptable. Other

performance factors were, likewise, within industry norms. Overall, project costs were, certainly, in excess of budgeted amounts.

Going Forward

Moving from 110,000 barrels-per-day to 232,000 barrels-per-day, it does not appear Canadian Natural will need to



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make substantial changes to its original labour relations strategies, or to significantly depart from proven practices. The elected construction execution strategy engaged in the initial phase has proven to be viable from many perspectives. The company will rely on the lessons learned from Phase 1 to improve upon project implementation and execution.

Future project work may again be broken into smaller pieces and competitively awarded to those firms with proven performance records with Canadian Natural or on similar type of work. Project managers will likely attempt to use the experience of workforce members and contractors who contributed to the successes of Phase 1, anticipating that they will be able to again access the entire Canadian construction marketplace, regardless of the union status, affiliations or non-affiliations of industry participants. The adoption of site logistics initiatives such as using a fly-in/fly-out program, access to on-site camp facilities and the adoption of shift cycles will remain key components that drive employers' abilities to attract and retain the required workforce. Similarly, the project continues to rely on the Division 8 Project Labour Agreement to provide the labour stability and standardization of working terms and condi-



tions for the construction workforce.

Concerns related to total project cost, price certainty and workforce performance will be key focus points of future project and expansion approvals. Owners will need a high degree of assurance that these projects can be delivered within the identified costs and time frames. ☑

Horizon Construction Man-hour Percentages by Union Affiliation

	2006	2007	2008	Project Total	Total Construction (EXCLUDING BUSSING & CAMP OPERATIONS)
BTU	53%	37%	32%	40%	24%
CLAC	32%	49%	53%	45%	61%
Non-union	14%	11%	13%	13%	13%
CEP	1%	3%	2%	2%	2%

