Alberta Federation of Labour

Backgrounder

The AFL's Top Ten Ways a Wild-west Pace of Oil Sands Development Hurts Alberta Workers, Families, and the Economy

Edited Excerpt from Gil McGowan's Speech to Canadian Industrial Relations Association, May 30, 2012

ONE: The Three Stooges Problem (also known as the Labour Shortages)

The Stooges always got a laugh when the three of them would try to get through a door at the same time. They'd rush forward together, each trying to beat the others and promptly get stuck in the door jam.

That's what's happening with the oil sands. They're all rushing forward and getting stuck.

TWO: Cost Escalation

Wages are not the biggest driver of oil sands project cost inflation.

A report released in January by the investment firm Raymond James showed that wages for construction workers in the oil sands jumped by 20 per cent during the last boom. Not surprising given Alberta's inflation rates and economy-wide increases in our Average Weekly Earnings Index.

But during the same period, oil-sands construction projects went over budget by an average of 100 per cent. Some projects went as high as 260 per cent over budget due to the cost of steel and productivity losses.

THREE: Temporary Foreign Workers

Conservatives use shortage of skilled trades to justify bringing in more TFWs. But by bringing in more TFWs, they're making the shortage worse over the long run and squandering the opportunity to train a whole generation of skilled Canadian tradespeople.

New temporary foreign workers (TFWs) rules allow employers to pay skilled TFWs as much as 15 per cent less than the prevailing wage rate. It's designed to drive down wages in high-wage areas like Alberta, and designed for jobs in oil-sands related construction.

FOUR: Remaking labour relations.

Non-union employers and their aggressive industry associations are exploiting the situation to make political mischief.
Groups like Merit see the Harper majority as their "political moment" for a whole host of labour relations changes at all levels of government. The shock and awe pace in the oil sands is being used as cover for shock and awe

10654 - 101 Street, Edmonton, AB T5H 2S1 Ph: 780-483-3021/1-800-661-3995
Fax: 780-484-5928 Email: afl@afl.org www.afl.org

changes in labour relations, including repealing the Fair Wages Act, changes to TFW programs, changes to EI, and using back to work legislation at every possible opportunity.

FIVE: Shipping good jobs down the pipeline

Poll after poll shows that Albertans want to upgrade and create value added jobs instead of exporting more and more raw bitumen.

We only upgrade 60 per cent of our raw bitumen here in Alberta. The ERCB projects that to fall to less than 50 per cent in the next few years. Other projections show that new jobs will be heavily tilted towards extraction. By 2020, the Petroleum Human Resources Council says the number of Albertans employed in upgrading and refining is set to grow from 4,000 to 5,000. But conservative forecasts are showing an increase of 1-million barrels per day of bitumen extraction. So for every 1,000 more barrels of bitumen we produce a day, we're creating 1 value-added job.

SIX: Manufacturing jobs taking yet another beating

Cost escalation and the move to smaller *in situ* extraction-only makes it more and more likely that manufacturing of modules for the oil sands will be "off-shored." Imperial Oil has already tried this for its Kearl Lake project.

Several big construction firms have already been approached by manufacturing outfits in Mexico. It is only a matter of time before they begin winning those contracts, and we start losing the jobs.

SEVEN: Albertans are being fleeced on royalties

Cost escalation brought about by an irresponsible approach to pace has huge implications for royalties. Royalties are paid after energy companies pay their costs. So if costs are going up, it means that royalties will go down.

EIGHT: The wild-west stampede to the oil sands hurts other sectors of the economy

It's true, as critics of Mulcair have said, that the high Canadian dollar is not the only reason that manufacturing jobs have been lost in central Canada, but we can't deny that the high dollar has played a big role. There is an international stampede to our currency because we aren't pacing development, which drives up our dollar. And it's not just Ontario and Quebec that get hurt by a high dollar. Alberta gets whacked too. We have lost manufacturing employment – according to Alberta Finance's Monthly Economic Review, we lost 18,000 jobs in the manufacturing sector in the last year. And the high currency does have an impact on Alberta's finances. For every cent the dollar appreciates, the Alberta Treasury loses $247 million, according to the province's own budget sensitivity calculations.

NINE: We are an international embarrassment

If we allow the wild-west pace of development to continue, we will continue to be an international laughingstock on our environmental commitments. The only way to get serious about climate change, environmental monitoring, and enforcement is to appropriately pace development. The only way to have the money to invest in a greener economy is to charge fair royalties.

TEN: We are failing the rest of the country

There are only three ways ordinary Canadians get their share of our collectively owned resource wealth … jobs, wages and royalties. But as a result of the current model for development, increasing numbers of the short-term jobs are going to guest workers and more and more of the long-term jobs are going down the pipeline. Wages are being suppressed and royalties are being given away – all because the government doesn't want to take a leadership role in managing the pace of development.