

# Wood Buffalo *UPDATE*

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## Economic Activity

Are traffic jams a cause for optimism? In Fort McMurray, they are.

Near the end of 2009, the return of bumper-to-bumper traffic was one sign of an economy slowly on the mend in the Regional Municipality of Wood Buffalo.

“If you drive around town the traffic is heavier than it was in summer or spring. We’re back to traffic jams heading to the (oil sands) plants, both north and south, so that tells me there are a lot of contractors out there. And it’s a little harder to get a hotel room,” says Don Thompson, president of the Oil Sands Developers Group (OSDG). “It’s off the peak of two or three years ago, but it’s certainly coming back.”

Increased activity is helping build a sense of optimism around Fort McMurray, particularly among contractors and job seekers.

“We’re slowly starting to pick up,” says Charles Iggulden, president of the Fort McMurray Construction Association.

“We’re seeing a few more job

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*“It’s off the peak of two or three years ago, but it’s certainly coming back.”*

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opportunities coming through our plan room and a few more jobs being bid out for tender. It’s down quite a bit from (2008) yet, but it’s still positive.”

In particular, recent oil sands project announcements show there’s some light at the end of the tunnel.

In November, Suncor Energy decided to reboot its Firebag in-situ expansion, which was put on hold in early 2009. The company will spend \$950 million in 2010 on stages 3 and 4 of the Firebag project. The development is expected to create up to 3,000 construction jobs.

In total, Suncor will invest \$1.5 billion in growth projects in 2010, which is down considerably compared to the \$6 to \$10 billion in growth projects it had planned in 2008.

Several other oil sands projects were ramping up towards the end of 2009. Site preparation moved forward on Imperial Oil's Kearl Lake oil sands mining project, which was announced in May.

"They continue to build their workforce and that's not surprising. The project workforce tends to build up to its highest peak about a year before a project is completed, so we're not even at the peak yet for Imperial Oil," says Thompson.

Devon Energy (Jackfish 2), Statoil ASA (Leismer), Connacher Oil and Gas (Algar) and Cenovus Energy (Christina Lake) all continued construction of various in-situ projects south of Fort McMurray. Laricina Energy also started construction of their in-situ demonstration

project (Germain), which is located just west of the Wood Buffalo boundary. And existing oil sands developments also helped keep the local economy rolling along despite the global recession.

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*"... the price of crude oil will average about \$80 per barrel in 2010 ..."*

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"People kind of forget about them, but \$18 billion was their operating expenditures this year. There's a lot projects out there that are running and they continue to ramp up," says Thompson.

It may be too soon to tell, but the United Nations Climate Change Conference in Copenhagen, Denmark Dec. 7

to 18 may have repercussions on future developments.

"(Companies) that are through regulatory approval and haven't yet gone to construction are nervous as heck about environmental regulations. The looming issue here is what's going to happen, particularly with carbon emissions. You've seen numbers of projects being formally put on hold because of a) the economy and b) carbon," says Thompson. "When you're talking multi-billion dollar projects, fear is a big issue."

### Oil and gas prices

The prices of oil and natural gas are always factors in decisions about oil sands production and projects.

The price of West Texas Intermediate (WTI) crude oil averaged \$100 U.S. in 2008.

## Oil and Gas Prices

**Oil:** West Texas Intermediate (WTI) is a type of crude oil generally produced in Texas and southern Oklahoma. WTI serves as a reference for pricing a number of other kinds of crude oil and is used as a benchmark in oil pricing. Due to its characteristics, WTI is generally refined in the Midwest and Gulf Coast regions of the United States. In 2008, Alberta supplied eight per cent of the U.S. oil demand, making the U.S. the province's largest trade partner for crude oil. Since most of the crude oil produced in Alberta is exported to the U.S., the price of WTI is an important factor for oil sands companies in deciding how much crude oil to produce in a given year.

**Natural Gas:** The Alberta Natural Gas Reference Price is a monthly weighted average field price of all Alberta natural gas sales, as determined by the Alberta Department of Energy through a survey of actual sales transactions. Several factors including supply and demand, production and exploration levels, and the availability of other energy sources, influence the price of natural gas. Alberta is home to just over 80 per cent of the natural gas produced in Canada, and approximately 75 per cent of the natural gas consumed in Alberta is used by the industrial sector. Natural gas is an important raw material for oil sands production, and thus plays a significant role in project decisions made by the oil sands companies.

After falling to a low of \$41 U.S. in December 2008, WTI oil prices rose reasonably steadily and averaged \$62 U.S. per barrel in 2009. The U.S. Energy Information Administration's Short-Term Energy Outlook forecasts that the price of WTI crude oil will average about \$80 and \$84 per barrel in 2010 and 2011, respectively. (See Figure 1.)

Unlike crude oil, natural gas prices declined after peaking at \$9.84 CAD per gigajoule (GJ) in July 2008.

Natural gas prices averaged \$3.57 CAD per GJ in the first 11 months of 2009, down more than 50 per cent from the same period of the previous year (see Figure 2).

### Educating tomorrow's workforce

In an economic downturn, it's no surprise that more people are heading to post-secondary school for training. At Keyano College, enrollment was up 22 per cent from September 2008 to September 2009, an increase of almost 300 students.

The school offers technical training for welding, electrician, heavy equipment technician, millwright, mobile crane and hoist, steamfitter/pipefitter and carpentry apprentices. Demand for the college's trades and heavy industrial programs is especially high, but not

necessarily because the economy has slowed down.

These programs focus on operations and maintenance trades for the oil sands, so a dip in construction activity doesn't have a huge impact on enrollments, says Glenn van't Wout, dean of the college's

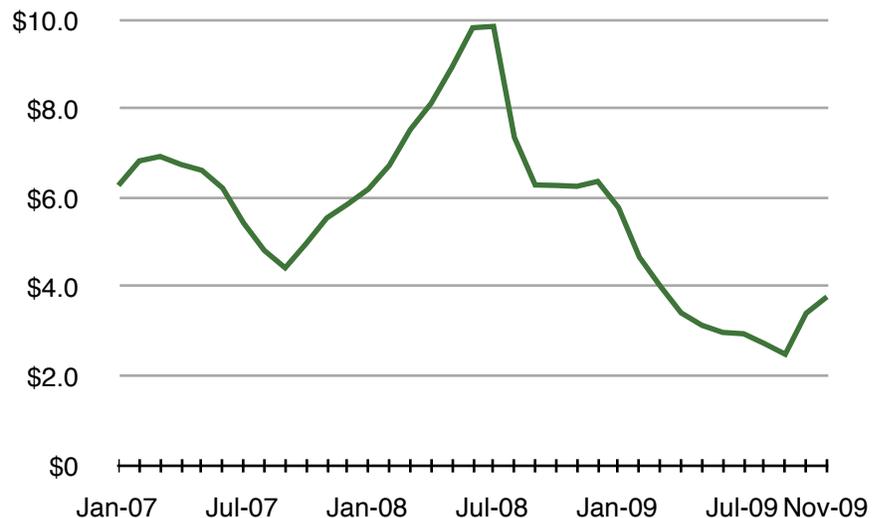
trades and heavy industrial division.

Many oil sands companies in the region are actually ramping up their production capacity, which increases the need for operations and maintenance workers.

**Figure 1: Average Price of West Texas Intermediate Crude Oil (US\$/Barrel)**



**Figure 2: Average Price of Natural Gas (\$CAD/GJ)**



“In this region, on the operations and maintenance side, there hasn’t been a lull [in work]; rather there’s been a steep increase [in production] in order to meet the demand,” says van’t Wout.

The Power Engineering Co-op, for example, had 150 applicants in May 2009 and 48 seats. In November, about 100 applicants applied for 24 seats in the Process Operations Co-op. Starting in early 2010, the college will split its Mine Operations program into three different programs: Haul Truck, Heavy Equipment Operator and Truck Transport.

“There’s been substantial requests from students to fill

those particular programs,” says van’t Wout. “We have a list in excess of 700 people wanting to get into the Haul Truck program. There are 15 seats per intake and it’s a new intake every month. So if no one else even applies this year, we still can’t satisfy even a snapshot of that.”

The Haul Truck program will train students to operate the

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*“The Haul Truck program will train students to operate the heavy haulers used at oil sands mining sites.”*

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heavy haulers used at oil sands mining sites.

“The employability prospects for that are quite good within the region, not purely with the producers but there is also a large need by contractors for that skill set,” says van’t Wout.

He also expects the newly announced Heavy Equipment Operator and Truck Transport classes to be full, with waiting lists for enrollment.

While there has been a province-wide drop in the number of trades apprentices attending technical training, van’t Wout expects Keyano to fill 83 to 85 per cent of available seats into 2010.



# Industry in Focus:

## Health Care

*The economic slowdown has helped the health care industry in Wood Buffalo catch up with the demand for services. The number of vacant health care jobs has dropped and the number of applicants has increased.*



The health care industry in Fort McMurray has been struggling to keep up with the demand for services from a rapidly growing population. But the economic slowdown may have helped buy time for the capacity to deliver services to catch up with demand.

In total, the Fort McMurray area has approximately 1,200 health care workers (full-time equivalent or FTE). Staff vacancy rates continue to fall in the region's hospitals and health care centres.

Statistics from Alberta Health Services show a 5.9 per cent vacancy rate in December 2009 for the Fort McMurray area, which includes High Level, Fort Vermillion and La Crete. This amounts to about 77 FTE positions needing to be filled.

That's down from a 12 per cent vacancy rate (146 FTE positions) in December 2008.

"Things have improved considerably, but 70 positions is still really felt. We're still doing a lot of external recruitment," says North Zone recruitment advisor Jeff Gillis, speaking from his office in Fort McMurray.

Gillis says the number of jobs that have to be reposted because a candidate can't be found has decreased. At the same time, the number of applicants has increased.

While the recession has certainly helped improve the vacancy rate, Gillis also credits local recruitment efforts.

Four years ago, when the staff vacancy rate peaked at 25 per cent, the former Northern Lights Health Region began a recruitment initiative that continues today.

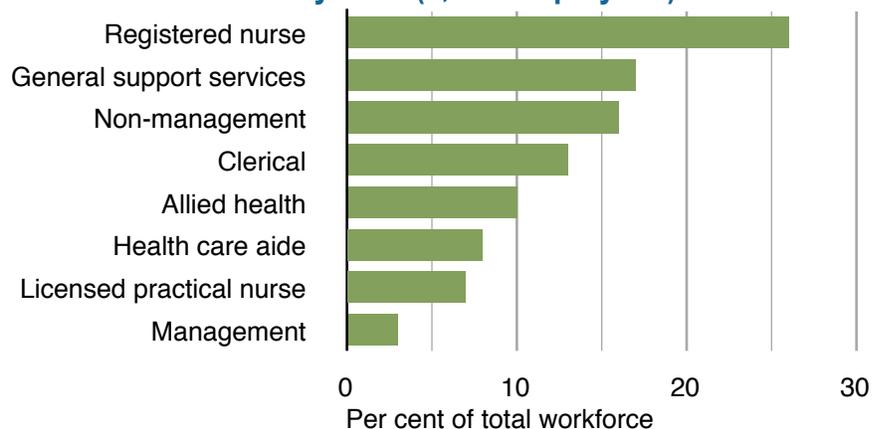
"Just by putting the manpower towards (recruitment), the time and effort really made an immediate effect. We're getting

positions filled more quickly, we have more time to speak with candidates, more time to promote and get out there," says Gillis.

Registered nurse positions remain the biggest challenge to fill—especially more skilled positions such as operating room or intensive care nurses. And while there are fewer job openings for allied health professionals such as speech language pathologists, occupational therapists and physical therapists, these positions tend to remain vacant for longer than other positions.

National recruitment campaigns will continue to help attract these workers to the region, says Gillis.

**Figure 3: Health Care Workforce by Occupation, Fort McMurray Area (1,200 employees)**



# Labour Market

*"I'm back down to my normal crew size and we're not so pressured now."*

*Survey respondent from construction industry, Summer 2009.*



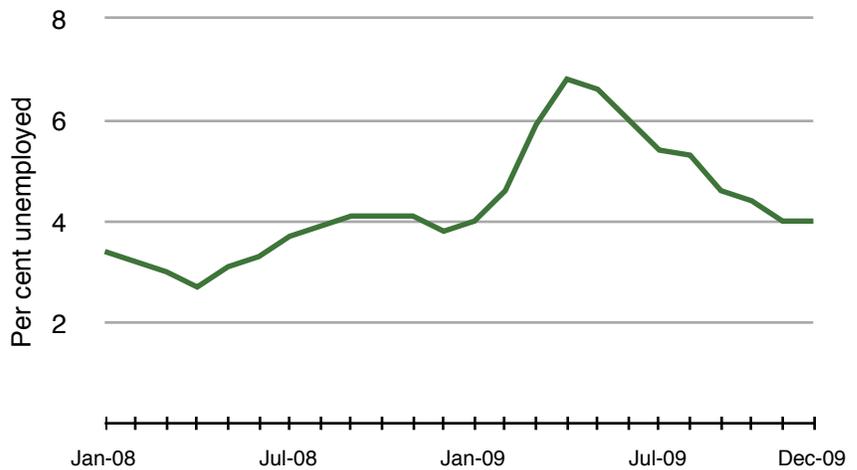
Labour shortages have been a way of life in the Regional Municipality of Wood Buffalo (RMWB) and the rest of Alberta for a number of years. However in the past year the labour market changed while the economy shifted.

The unemployment rate for the Wood Buffalo region increased significantly from an average of 4.5 per cent in 2008 to a high of 6.8 in April 2009. Since then the unemployment rate has steadily decreased to four per cent in November and December 2009 (See Figure 4).

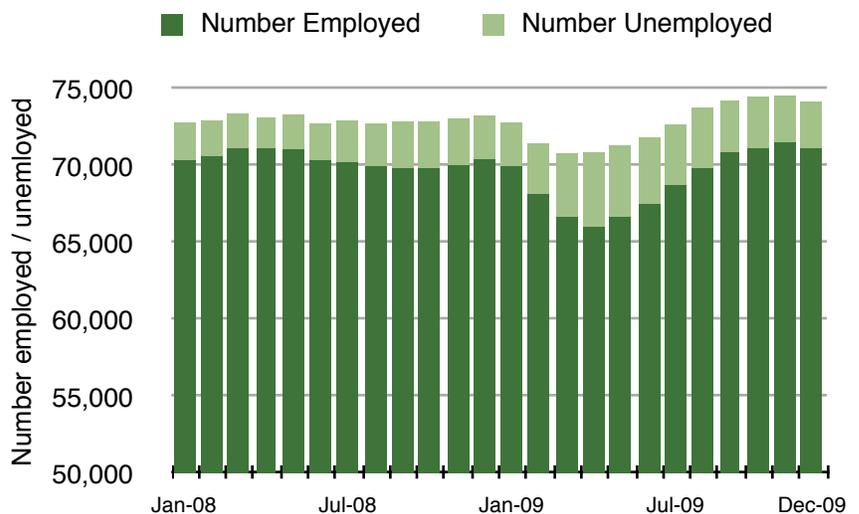
Employment declined by 3,400 from fall 2008 to spring 2009. At the same time, the labour force declined by around half that number (1,800), and unemployment increased by 1,600. (See Figure 5.)

One reason that the decline in employment is twice as big as the increase in unemployment is because people without work in Fort McMurray left the labour force in some way (went to school, stopped looking for work or chose to live elsewhere.)

**Figure 4: Unemployment Rate, Wood Buffalo/Cold Lake Region**



**Figure 5: Labour Force (Employed plus Unemployed), Wood Buffalo/Cold Lake Region**



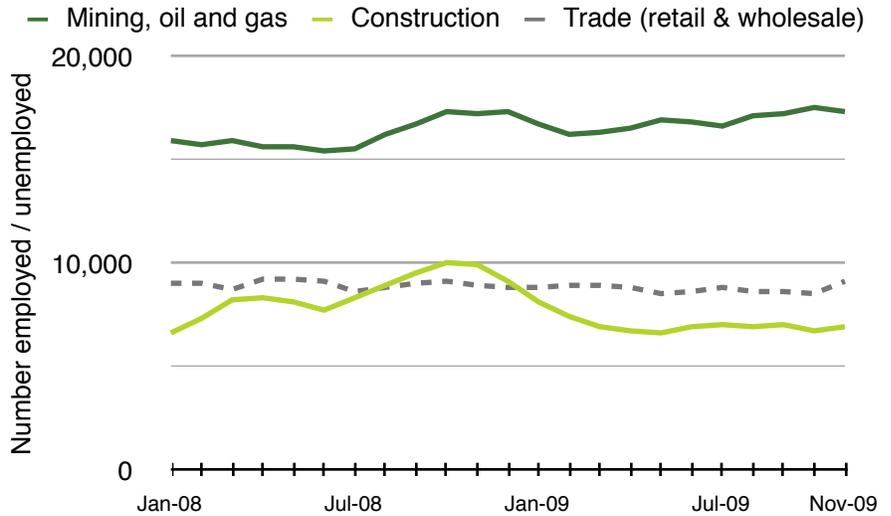
The Labour Force Survey data indicates that the population of Fort McMurray stayed steady through the downturn. However, this survey does not include workers living in camps.

When looking at industries with the largest number of people employed in the region, it is clear that the largest decline in the workforce was in the construction industry. Support industries and production of oil and gas did not experience the same decline (See Figure 6). Oil sands production remains a steady employer in the region.

**Employer survey**

In the second quarter of 2009, a survey was conducted of 110 employers that have offices and/or workers in the Regional Municipality of Wood Buffalo (see [woodbuffalo.net](http://woodbuffalo.net) for the full report).

**Figure 6: Employment by Industry, Wood Buffalo/Cold Lake**



Survey respondents were asked if they have experienced difficulty hiring for certain occupations. Fifty per cent of employers surveyed reported having no difficulty hiring.

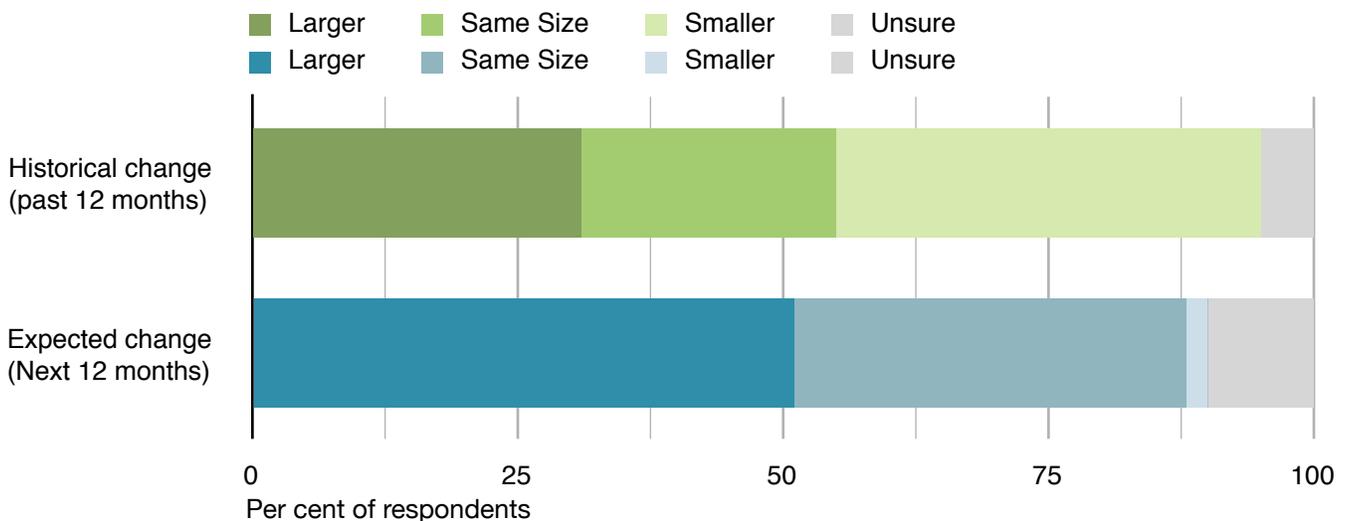
This represents an eight per cent increase in the number of employers expressing no difficulty in hiring compared to the results of the same survey in

2008, when 42 per cent reported no difficulty hiring. In 2007, 38 per cent of employers surveyed indicated they did not have problems hiring. These results suggest that finding qualified workers in Wood Buffalo has been getting easier.

Employers were asked if their workforce was larger, smaller or the same size as it was in 2008,

**Figure 7: Changes in Workforce Size**

**Historical Change (June 2008 to June 2009) and Expected Change (June 2009 to June 2010)**



and how they expected their workforce size to change in the coming year.

Responses indicate that the workforce was generally smaller than it was a year ago, but that further reductions in workforce were not expected in the next year. Fifty-seven respondents expected their workforce to grow in the next year.

### Economic impacts

Employers were also asked about the impacts of the economic downturn (impacts included lay-offs as well as

other workforce impacts such as reduced hours, job sharing, eliminating overtime or deciding not to fill vacant positions). Of the 110 employers surveyed, 49 per cent said their workforce was impacted in some way by the economic downturn, while 51

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*“There were twice as many new hires over the past three months due to turnover as there were new hires due to growth.”*

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per cent said there had been no impact on their workforce.

Employee turnover continues to be a challenge in the region, despite the slower economy, although employee retention has improved compared to 2008.

Across all industries, there were twice as many new hires over the three months before the survey due to turnover (54 per cent) as there were new hires due to growth (27 per cent). This is similar to survey responses in 2008, when 63 per cent of new hires were due to turnover and 36 per cent were due to growth.

*“There is currently a huge difference in the availability of quality staff when compared to a little while ago. It is now much better for us, as more qualified people are available. We can pick and choose candidates now, rather than hiring anyone who is breathing.”*

*Survey respondent in finance and insurance industry, Summer 2009*

*“Retention depends on work, which is sporadic right now. In my 13 years in Fort McMurray this is the first time a downturn has occurred. You do notice a difference here though, everything is slower.”*

*Survey respondent in mining, oil and gas industry*



# Housing Summary

Vacancy rates are an important element in determining housing market situation. Vacancy rates can simply be defined as the number of vacant units divided by the total number of available units in the market. The vacancy rate is important because there is a direct correlation between the percentage of the total available units in the market and prices. The lower the vacancy rate is, the more challenging it is for people to find housing, which in turn puts an upward pressure on housing prices.



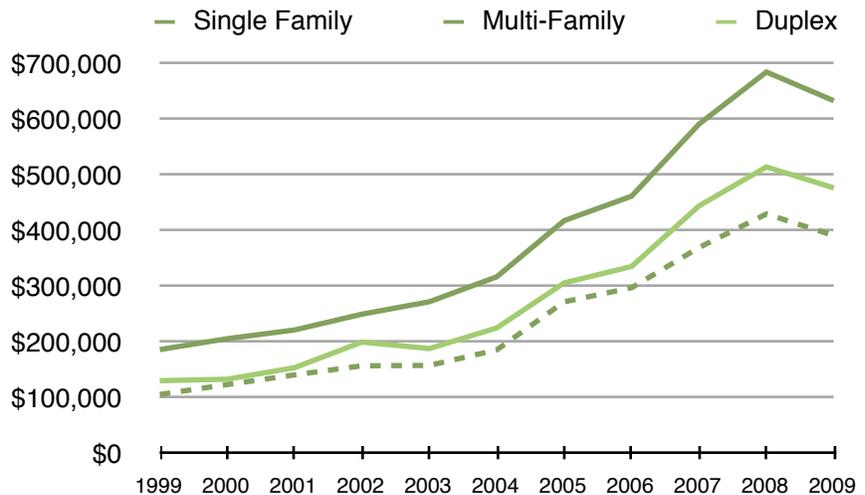
The high cost of housing has long been an issue in Fort McMurray. In 2009, housing prices followed the trend seen throughout North America and declined overall.

According to data from the Fort McMurray Real Estate Board, average housing prices in Fort McMurray have essentially declined to 2007 levels (see Figure 7). Prices declined for single-family housing, multi-family dwelling units and duplexes.

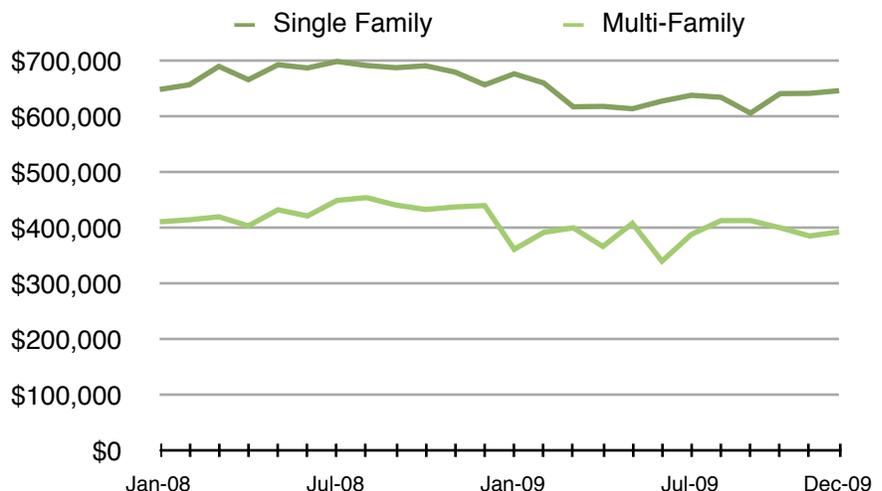
Housing prices leveled out in 2008 and started declining in early 2009 (see Figure 8). By summer, pricing seemed to have generally stabilized.

The Canada Mortgage and Housing Corporation (CMHC) predicts that the average price of all homes will increase 1.3 per cent in 2010; however prices overall will still be slightly lower than in 2008.

**Figure 8: Average Annual Housing Prices Fort McMurray, 1999 to 2009**



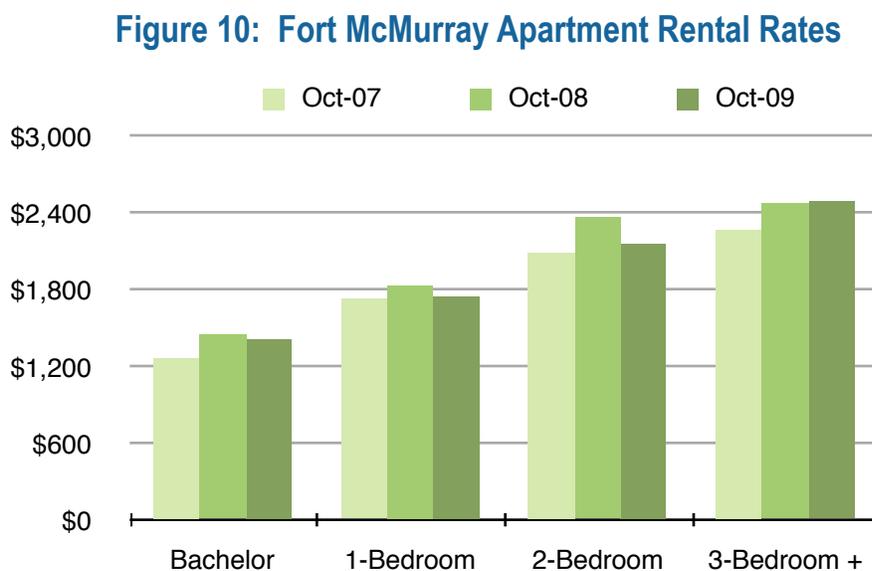
**Figure 9: Average Monthly Housing Prices Fort McMurray, Jan 2008 to Dec 2009**



Apartment rental rates and vacancy rates are another key element of the cost of living in Fort McMurray.

In October 2009, vacancy rates reached 9.9 per cent according to the CMHC, and 5 per cent according to the Regional Municipality of Wood Buffalo (RMWB) (see Figure 10). In either case, the vacancy rate reported was significantly higher than in past two years, where the vacancy rate has not reached even one per cent.

Apartment rental rates declined in response to the increased availability. While the exact amounts differ depending on the source of the data, both the CMHC and the RMWB indicate



that the average rental rate for bachelor, one-bedroom and two-bedroom apartments declined from 2008 to 2009, while dwelling units with three or more bedrooms increased slightly (see Figure 9).

Despite the decrease in rental rates, housing is still expensive in Fort McMurray. While single rooms in shared houses can be less, the lowest price listed by the RMWB in October 2009 was \$1,050 for a one-bedroom apartment.

**Figure 11: Fort McMurray Apartment Vacancy Rates**

| Date   | Data source | Type of dwelling unit |           |           |             | Total all units |
|--------|-------------|-----------------------|-----------|-----------|-------------|-----------------|
|        |             | Bachelor              | 1-Bedroom | 2-Bedroom | 3-Bedroom + |                 |
| Oct-07 | CMHC        | 0.0%                  | 0.2%      | 0.2%      | 1.4%        | 0.3%            |
| Oct-08 | CMHC        | 0.0%                  | 0.4%      | 0.6%      | 0.0%        | 0.5%            |
|        | RMWB        |                       |           |           |             | 0.1%            |
| Oct-09 | CMHC        | 7.3%                  | 7.6%      | 11.3%     | 7.3%        | 9.9%            |
|        | RMWB        |                       |           |           |             | 5.0%            |

**Source Notes:**

Figure 1: [economagic.com/em-cgi/data.exe/var/west-texas-crude-long](http://economagic.com/em-cgi/data.exe/var/west-texas-crude-long)

Figure 2: [energy.alberta.ca/NaturalGas/1316.asp](http://energy.alberta.ca/NaturalGas/1316.asp)

Figure 3: Alberta Health Services

Figure 4: Statistics Canada, Labour Force Survey for Wood Buffalo / Cold Lake Economic Region

Figure 5: Statistics Canada, Labour Force Survey for Wood Buffalo / Cold Lake Economic Region

Figure 6: Statistics Canada, Labour Force Survey for Wood Buffalo / Cold Lake Economic Region

Figure 7: Worker Needs and Shortages Analysis 2009 ([woodbuffalo.net/linksRESRepo.html](http://woodbuffalo.net/linksRESRepo.html))

Figure 8: Fort McMurray Real Estate Board

Figure 9: Fort McMurray Real Estate Board

Figure 10: Canada Mortgage and Housing Corporation (CMHC) Rental Market Report, Alberta Highlights, Fall 2009 and Fall 2008

Figure 11: CMHC and Regional Municipality of Wood Buffalo Community Services Department Rental Housing Report (Apartment rental rates in Fort McMurray, unfurnished units only)