

**Major Industrial Projects
in Northern Alberta**
Growth Factors and Trends

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Alberta Growth Factors and Trends

Alberta's construction industry is in a state of transition. The Alberta Construction Association (ACA) reports that 1994 was one of the worst years in the last decade, especially in the industrial sector. Light industrial volumes fell below the 10-year average. Engineering and building markets were depressed due to an over supply of capital stock. Even with the federal-provincial infrastructure subsidy program, governments put little money into infrastructure repairs, suppressing this vital heavy construction market.

The ACA believes this picture is changing. It predicts dollar volumes of construction in 1995 will increase between 5.5% and 6.0%, creating real growth of about 4%. Total dollar volume in 1995 should reach \$9.81 billion, up from an estimated \$9.27 billion in 1994. Short and long term outlooks for contractors indicate steady growth in real terms above 2% annually to the year 2000.

This growth is predicted for several reasons. The Alberta government is working to create a positive investment climate. Deregulation and streamlined municipal planning and development application processes are attracting new investors. There is considerable pent-up demand from domestic investors. As well, world prices for paper and petrochemicals are rising. If profits continue to improve, these industries will likely reintroduce their original expansion plans.

Labour Force Trends

Growth in the construction industry is increasing the demand for skilled labour. In some areas there were shortages in 1994. Contractors in the Grande Prairie and Medicine Hat areas had to use unskilled labour during the busiest periods. This reduced productivity and placed further demands on the skilled labour pool. Part of the problem is that the recession forced many skilled workers to move to other provinces and industries.

Marketing skills are becoming more important to contractors. Since 1993, a decreasing number of contractors have captured the majority of the market. According to the ACA, this is a result of the shift from public sector clients to a greater ratio of private sector clients. Many contractors were unprepared for a sharp reduction in traditional public tenders and lacked the experience to compete in a private sector negotiation market. Some contractors familiar with this market had exceptionally good business volumes in 1994. Those unfamiliar with the market did poorly.

Sector Reports

Heavy construction:

- governments account for 56% of the sector. Except for oil and gas facilities, private development is not usually a big contributor.
- this sector would have suffered badly in 1994 without the federal/provincial infrastructure subsidy program. Many municipalities accelerated long range schedules to take advantage of the program. Short term gains in 1994 and 1995 may be lost if the program is not extended and the void in industrial construction continues.

Heavy industrial:

- contractors are competing primarily for renovation and maintenance dollars at existing petroleum, chemical and pulp and paper plants.

Light industrial:

- more active than heavy industrial because of demands from the growing transportation and manufacturing industries, which are expanding due to lucrative export markets.

Oil and gas facilities:

- 1994 was one of the best years since the early 1980s, due to increasing sales of natural gas and other petroleum products to US customers
- drilling expenditures more than doubled from 1993 to 1994, to almost \$5 billion, and will likely increase in 1995, creating spin off work for building and engineering contractors.

Agriculture industry:

- new products and new value-added industries strongly influence Alberta's economy
- product demand from the US and Asia is leading to plant expansions in southern Alberta
- construction opportunities are expected to improve for the next 2-3 years.

Northern Alberta Trends

The ACA expects forestry and petroleum to rejuvenate the industrial construction market. In northern Alberta, Tolko (High Prairie), Ainsworth (Grande Prairie), and Ranger Forest Products (Blue Ridge) have forestry-related mills coming on stream.

The high level of drilling investment in the petroleum industry is expected to continue for at least one more year, but then the focus will turn to heavy oil and tarsands facilities. The Cold Lake region is becoming active again and Imperial Oil has plans to complete phases 9 and 10 of its Heavy Oil Plant expansion. Suncor and Syncrude are investing further in Fort McMurray.

Major Industrial Projects in Northern Alberta

The following table identifies the major industrial projects (worth at least \$20 million) under way in northern Alberta in 1995. A more complete picture of the construction industry will be available later this winter, when Alberta Economic Development and Tourism starts tracking industrial projects worth at least \$2 million.

References and Contacts

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Major Industrial Projects Under Development in Northern Alberta (1995)

Project Owner	Description & Cost	Location	Government Approval	Construction Schedule	Construction % Complete	Projects Completed in 1994
Lakeland Region						
Amoco Canada	Insitu Oilsands, \$250 million	Primrose Lake	Approved	1994-1998	-	-
Amoco Canada	Heavy Oil Plant Expansions, \$500 million	Primrose Lake, Wolf Lake	-	1995-2005	-	
Imperial Oil	Heavy Oil Plant Expansion, \$240 million	Cold Lake	-	1995-1997	-	
Northeast Region						
Solv-Ex	Oilsands and Mineral Co-Production, \$125 million	Fort McMurray	-	1995-	-	-
Solv-Ex	Mineral Recovery Plant, \$25 million	Fort McMurray	-	1996	-	
Suncor	Flue Gas Desulpherization, \$175 million	Fort McMurray	-	1994-1996	25%	
Suncor	Upgrader Plant Expansion, \$250 million	Fort McMurray	-	1995-	-	
Suncor	Steepbank Mine Project, \$200 million	Fort McMurray	-	1997-2000	-	
Suncor	Utilities Plant/Mining Facilities, \$230 million	Fort McMurray Oilsands Site	Phased approval	1994-1996	-	
Syncrude Canada	Oilsands Continued Improvement Strategic Options, \$2 billion	Mildred Lake	Approved	1994-2004	-	
Syncrude Canada	Aurora Mine Project, \$500 million	Fort McMurray area	-	1998-2001	-	
Northern Lakes/Central Region						

Project Owner	Description & Cost	Location	Government Approval	Construction Schedule	Construction % Complete	Projects Completed in 1994
Tolko Industries	Oriented Strandboard Mill, \$100 million	High Prairie area	Approved	1994-1995	95%	Boyle - Millar Western Reopen/Upgrade Sawmill/Plannermill, \$10 million
Weyerhaeuser	Mill Upgrades, \$20 million	Slave Lake, Edson, Drayton Valley	Approved	1995-1996	-	Swan Hills - Chem Security & Alberta Special Waste Management Corp. Alberta Special Waste Treatment Expansion, \$60 million
South Peace Region						
Ainsworth Lumber	Oriented Strandboard Mill/I-Beam and Finger Jointed Lumber Plant, \$130 million	Grande Prairie area	Approved	1994-1996	50%	Power Resource Development Corp. Woodwaste Thermal Plant, Whitecourt, \$52 million.
Grande Alberta Paper	Pulp and Light weight Coated Paper Mill, \$1.6 billion	Grande Prairie area	-	-	-	
Ranger Forest Products	Medium Density Fiberboard Plant Expansion, \$38 million	Blue Ridge	Approved	1994-1995	85%	
ConWest Exploration	Gas Plant & Gas Gathering System, \$100 million	LaGlace area	Approved	1994-1995	100%	
North Peace Region						
Daishowa-Marubeni	Pulp Mill Debottlenecking, \$20 million	Peace River	Approved	1995-1996	25%	
Northern Alberta						
Nova Gas Transmission	1995 Pipeline System Expansion, \$760 million	Throughout Alberta	-	1995-1996	-	

Source: Alberta Economic Development & Tourism, Major Development Projects Reports, July 1995 and December 1994.