

'An economic turning point'

With upgrader announcement, city's engines are revving up once more

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A 3D drawing of new North West Upgrading plant, announced under the BRIK program on Feb. 16, 2011

Photograph by: Supplied, edmontonjournal.com

Local contractors, metal fab shops and module yards have had a rocky ride after being clobbered by falling energy prices in 2008 and a recession in 2009.

As oilsands projects in the Fort McMurray region were delayed and customer orders dried up, suppliers had to trim their payrolls and scale back operations.

That's a key reason why the Capital Region's once-sizzling economy went stone cold in 2009, shrinking by four per cent and doubling the local jobless rate to eight per cent.

But there's been a slow but steady rebound in the oilsands since, and Edmonton's economic engine is revving up once again.

This week it slid from second into third gear, and it could hit fourth by 2012.

Wednesday's formal launch of the first phase of the \$15-billion North West Upgrading (NWU) project in Redwater -which will refine raw bitumen into 150,000 barrels a day of ultralow sulphur diesel and other products -almost certainly marks the start of a new, multi-year growth cycle for the region.

Although engineering work on the innovative project won't be completed until the third quarter and construction on the \$5-billion first phase isn't slated to ramp up until early 2012, suppliers are already licking their chops at the prospect of bidding on billions of dollars' worth of new contracts.

"It's an excellent opportunity for our company to participate as a steel fabricator to meet the needs of the upgrader," says Don Oborowsky, CEO of Edmonton-based Waiward Steel Fabricators.

"We've been slow since the last quarter of 2008, as projects were put on hold. Right now, we're sitting with maybe four months of backlog, but the excitement now is that there's a lot of opportunity out there, and we'll certainly be getting our share of it."

Waiward's payroll has shrunk to 600 from roughly 850 a couple of years ago, but it's back in hiring mode as it gears up for 2012. "I can assure you that within six months we're going to start having shortages of people in the plant again," Oborowsky predicts.

Through a second private company called Hustle Holdings, he's also hoping to capitalize on growing demand for housing in the town of Redwater, about 35

kilometres northeast of Edmonton. His firm is developing a 20-acre site in the town that will accommodate up to 140 serviced lots.

"It's within walking distance of the town's arena and the golf course. You can get a permit today and start building within a month, so it's not something where you'll have to wait six months or a year to get started," he says.

Although North West will self-manage the massive project and its 8,000 workers, local construction giants such as PCL, Ledcor and Lockerbie & Hole are expected to vie for contracts to build modules or provide other services. Pressure vessel manufacturers such as Cessco, trucking firms such as Mammoet, and worker transport companies such as Diversified are also likely to bid on contracts.

The fabrication contracts on the first phase of the project alone are expected to be worth up to 40 per cent of the total price tag, or about \$2 billion, says Jerry Crail, North West's senior vice-president of engineering and construction.

"Peak manpower at the site, and it's still about a year off, will be somewhere in the neighbourhood of 3,000 to 5,000 people per day. And we think there will probably be about 5,000 to 8,000 people employed in the modular yards and in the vessel fabrication shops in the Edmonton area," he says.

"That would be over the course of Phase 1. And Phase 2 will essentially duplicate that. The only thing that would (negatively) influence that is if it would be just impossible for us to get the manpower to do it. But even if we have to bring in some foreign workers, we'd still prefer to do the work in the module yards in the Edmonton area. It just makes sense."

Although Imperial Oil's \$8-billion Kearl oilsands project is bringing in some modules from South Korea -via a controversial new route through Idaho and Montana -Crail says North West has no plans to follow suit.

"I don't think there's a lot of advantages to doing it in Korea. In terms of overall cost, there is no significant advantage. So as long as the availability is there in Edmonton, that's where we want to do it. The labour is good and the quality is great. It's just a question of being able to get space in the yards and right now it looks like there will be, so that's great for us."

Neil Shelly, executive director of Alberta's Industrial Heartland, says he's already detecting increased interest among large industrial companies in locating in the area in light of the North West announcement.

"What this does is it restores confidence back into the region. Other industries are now looking at the area. We see this as an economic turning point, not only for the region but for Alberta," he says.

"A lot of workers don't want to go to Fort McMurray and be away from their families. This will provide work here at home so they can see their kids and be with their families every night, and it will provide future work opportunities as well. It's a real catalyst for the region."

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