

Clark Labour and

Training Solutions

Development of a Labour Framework for
Bull Arm Fabrication

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Overview

- ▶ The construction industry in Canada
- ▶ Labour risks
- ▶ Management strategies
- ▶ Purpose of an integrated labour framework
- ▶ Process to develop a labour framework

Objective of Labour Framework

- ▶ Create a comprehensive labour framework that will support a world class facility that can compete globally

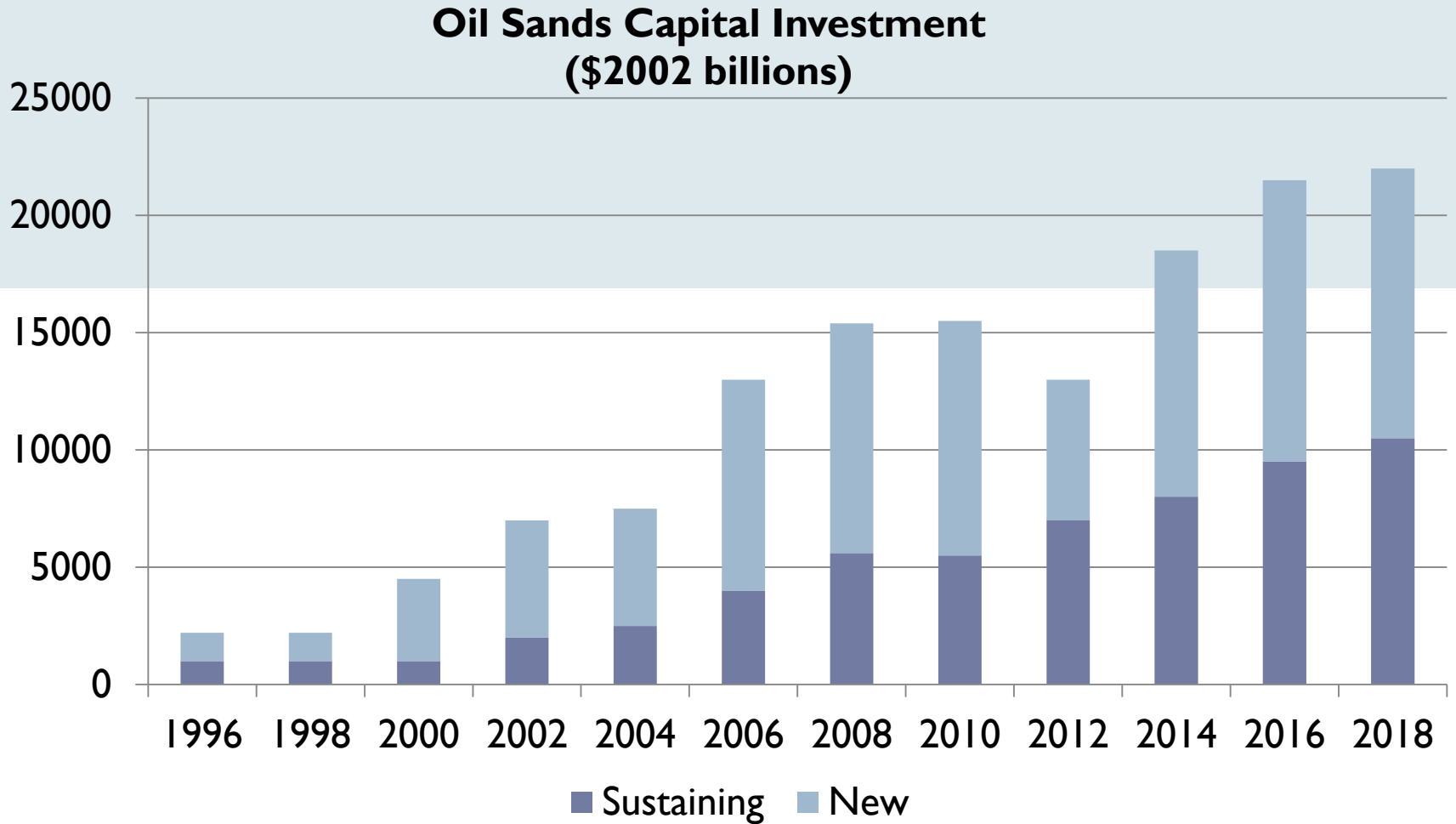
Market we Compete in for Resources

- ▶ Construction / maintenance / fabrication expenditures annually \$250 Billion
- ▶ 12% of Gross Domestic Product
- ▶ 1.1 Million people employed directly (6% of Canadian workforce)

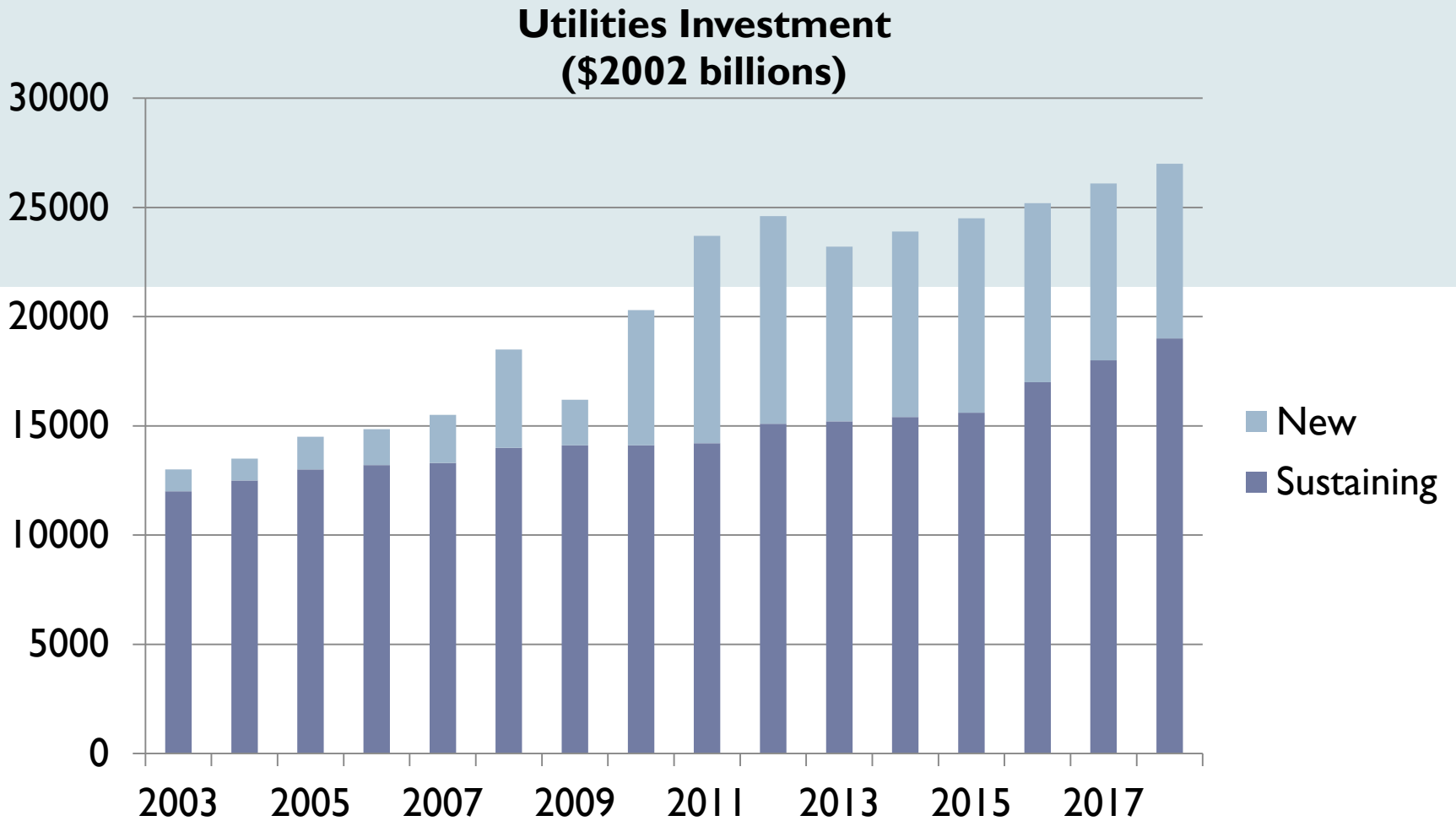
Ongoing and Planned NL Major Projects

- ▶ Hebron – 14.5 Billion
- ▶ Lower Churchill Project – 7.8 Billion
 - ▶ Muskrat Falls
 - ▶ Transmission
- ▶ Long Harbour Phase I near completion
 - ▶ Commissioning
 - ▶ Phase 2
- ▶ Husky Argentinia GBS / Infrastructure – 2014
- ▶ Alderon – 2 Phases, scheduled Sept 2014
- ▶ Vale Labrador Mine – scheduled to commence 2015

Oil Sands Capital Investment



Utilities Investment



Labour Risks

- ▶ Labour Shortage
- ▶ Labour Productivity
- ▶ Escalating Labour Costs
- ▶ Labour Stability

Labour Shortage

- ▶ **National construction workforce 1.1M**
 - ▶ 200K+ retiring in next 5 years
 - ▶ Additional 200K required for new projects
 - ▶ Problem more acute in NL as average age above 50
- ▶ **Increased demand for workers associated with maintenance turnarounds (oil sands & utilities)**
- ▶ **U.S. economy is turning around and impacting the ability to attract TFW's**
- ▶ **Trades persons available in Ireland, Eastern Europe and other areas**

Labour Productivity

- ▶ Owner's in Western Canada report only 35% of workers time spent on tools
- ▶ Low levels of productivity more common with mechanical trades, especially UA in NL
- ▶ Many route causes of low levels of productivity outside the control of workers
- ▶ Building Trades – jurisdictional demarcations a significant contributing factor
 - ▶ 16 unions each with a silo of work create inefficiencies

Escalating Labour Costs

- ▶ Until 4 years ago, total compensation in Atlantic Canada was \$10-\$15 lower than AB
- ▶ With the Hebron and Muskrat Falls Agreements in NL, total compensation comparable to AB construction sites
- ▶ Recently NL project increased rates by \$10/hr (premiums)
- ▶ Increased maintenance turnarounds in AB / utilities nationally
 - ▶ Enhanced built-in premiums (double time)
 - ▶ Retention bonuses
- ▶ Shrinking workforce / increased demand creating upward pressure on wage rates

Labour Stability

- ▶ Illegal strikes are not common on major projects in Atlantic Canada, especially Newfoundland and Labrador
- ▶ Terra Nova lost 300,000 hours due to illegal strikes
 - ▶ Long Harbour 5-day illegal strike 3,500 workers
 - ▶ Come by Chance Refinery 2-day illegal strike

Risks can only be Partially Managed through Contracting Strategy

- ▶ **Contracting strategy can only mitigate**
 - ▶ Unit price / lump sum price risk to Contractor who mitigates by increasing contingency and passing cost on to Owner
 - ▶ Target price risk to proponent
 - ▶ Cost reimbursable risk to proponent
- ▶ **Contracting strategy and labour strategy must be aligned to mitigate risks**
 - ▶ RFP Process, bidding process and commercial contract

Purpose of an Integrated Labour Framework

- ▶ Facilitate a creation of a safe, positive and productive work environment
- ▶ Manage labour risks associated with doing fabrication, maintenance and construction work at Bull Arm
- ▶ Ensure productivity enhancements and cost savings built into Labour Agreements benefit operator of Bull Arm
- ▶ Align all components of people management including HR, Safety, Industrial Benefits, IBA (where applicable)
- ▶ Align with commercial contracting strategy from RFP through bidding process to commercial contracts

Process to Develop Labour Framework – Early Stages

- ▶ Identify business model(s) which will influence type of labour framework
- ▶ Stakeholder consultation (NL, National and International)
- ▶ Identify legislation opportunities and constraints

Legislation Opportunities and Constraints – Construction under SPO

- ▶ Special Project Orders (SPO) commonly utilized on major projects and at Bull Arm
- ▶ SPO process is as follows:
 - ▶ Identify bargaining agents
 - ▶ Negotiate Collective Agreement
 - ▶ Request Government to issue SPO specific to geographical area and scope of work
 - ▶ Enactment of SPO
- ▶ SPO regulations unique to Bull Arm
 - ▶ Construction / fabrication
 - ▶ Prohibition on union labelling and work restrictions

Legislation Opportunities and Constraints – Fabrication/Maintenance/Construction NON-SPO

- ▶ Unionized construction activities only utilize Building Trades, not alternative unions
- ▶ Unionized contractors performing construction work at Bull Arm would be accredited
 - ▶ CLRA Agreements automatically applicable
- ▶ Construction work may be performed under CLRA Site Sealed Agreements similar to IOC
- ▶ Maintenance and fabrication work may be done by either
 - ▶ Building Trades
 - ▶ CLRA Agreements not applicable
 - ▶ Alternative unions

Process to Develop Labour Framework – Benchmarking

- ▶ **Benchmark Collective Agreements in industry (NL, National, International)**
 - ▶ Non-monetary – to identify optimum language
 - ▶ Monetary – identify bargaining objectives to create Collective Agreement(s)
- ▶ **Objective of benchmarking is to identify language to create optimum Collective Agreement(s)**

Process to Develop Labour Framework – Optimum Language

- ▶ Language to support enhanced productivity
- ▶ Work schedule, hours of work and shift flexibility to support construction needs and attract workers
- ▶ Labour management process to support positive, productive work environment and labour stability
- ▶ Hiring language to ensure Contractor's ability to access appropriate skill sets
 - ▶ Align with labour acquisition plan
- ▶ Compensation / Monetary parameters sufficient to attract workers within budgetary restraints

Process to Develop Labour Framework – Appropriate Union(s) and Employer

- ▶ **Identify potential bargaining agents**
 - ▶ Employers' Association / Contractor / Owner
 - ▶ Appropriate Union(s)
- ▶ **Engage Union(s) in consultation to determine if prepared to buy into bargaining objectives**

Unions to Consider

▶ Select Building Trades with appropriate skills

- | | | |
|-----------------------|----------------|---------------|
| • Ironworkers | • Electricians | • Boilermaker |
| • Carpenters | • Labourers | • Millwright |
| • Operating Engineers | • Pipefitters | • Sheet Metal |

- ▶ CLAC –significant membership and training facilities in Western Canada
- ▶ UNIFOR – new alternate union created through merger of CEP and CAW
- ▶ Non-construction sector unions

Process to Develop Labour Framework – Bargaining Strategy

- ▶ Assemble bargaining team
- ▶ Prior to commence collective bargaining, require Union(s) to sign off on bargaining principles to ensure commitment
- ▶ Finalize bargaining objectives, monetary and non-monetary
- ▶ Execute negotiations and finalize Collective Agreement(s)

Process to Develop Labour Framework – Implementation of Collective Agreement(s)

- ▶ Training is critical to ensure benefits of Collective Agreement(s) are achieved
 - ▶ Pre-employment training of hourly employees
 - ▶ Extensive supervisory training
- ▶ Ensure productivity gains and cost savings flow to operator of Bull Arm through commercial contracting process

Process to Develop Labour Framework – Other Components

- ▶ **Developing standards and policies to support Labour Framework**
 - ▶ Bull Arm Employee Handbook
 - ▶ Respectful Workplace Standard
 - ▶ Drug & Alcohol Standard
 - ▶ Site Access Standard
 - ▶ Pre-Site Access Medical Standard
- ▶ **Develop labour acquisition strategy**

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Questions?