



*By Darren Campbell // Photography by Alan Dickson*

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THUNDER BAY, AND ITS HEAVY INDUSTRIAL MANUFACTURING SECTOR, WANTS A PIECE OF THE OIL SANDS ACTION >>

JOHN JURCIK, CHAIRMAN OF THE THUNDER  
BAY METAL FABRICATORS ASSOCIATION, IS  
LOOKING WEST FOR NEW BUSINESS

# TSIDERS



## ON THE NORTHWESTERN SHORE OF THE LARGEST FRESHWATER LAKE ON THE PLANET,

facing an enormous bay that 18th-century French maps dubbed the *Baie du Tonnerre* (Bay of Thunder) sits one of Canada's great pulp and paper towns. Or at least it was a great pulp and paper town a mere decade ago.

But that was before various forces – a high Canadian dollar, falling demand for key products, competition from low-cost regions like Russia – conspired to bring the Canadian forestry industry, and communities that depended on it, to its knees. The northern Ontario city of Thunder Bay was one of the places hit hard by the downturn. As recently as 2004, the city had six pulp and paper mills operating. Today it has one. In this community of approximately 120,000 people, hundreds of jobs were lost and numerous businesses felt the pinch as the Canadian forestry industry went in the tank.

As times got increasingly tougher for Thunder Bay during the first decade of the new millennium, some of its business and civic leaders couldn't help but notice what was happening a couple of thousand kilometers west in Alberta. There the economic fortunes of similar blue-collar communities like Fort McMurray and Grande Prairie were vastly different than its own. Business was booming, in large part thanks to high oil prices and Alberta's petroleum sector. Projects were sprouting up like weeds on a dirt roadside as billions of dollars in capital spending poured into the region. There was work for everybody in Alberta – and then some.

It was in that economic environment that more than 20 metal trade companies in Thunder Bay formed the Thunder Bay Oil Sands Consortium in 2007. The goal was simple: market their heavy industrial talents to oil sands companies and grab a piece of the action. "The downturn in Thunder Bay happened about 10 years previous to the recent recession mess," says Paul Peterson, president of Peterson Machine &

Supply Inc. "That downturn impacted the forestry sector here, and there are companies that are no longer with us because of it. That changed the minds of people in Thunder Bay."

Diversifying the economy became a priority. But as the consortium's members, like Peterson Machine & Supply, struck out to gain new business in Alberta's oil sands, they quickly realized they had to change the minds of another group of people – the engineers and procurement officers involved in building oil sands megaprojects. These people didn't know anything about the consortium's members or what they could do. So the consortium hit the road, heading to Alberta to make contacts and attend events like the National Buyer/Seller Forum in Edmonton to get its story out.

Unfortunately the timing was off. Just as its marketing efforts were starting to bear fruit with a few modest jobs in the oil sands sector, the recession hit. Oil prices fell from a high of US\$147 a barrel to US\$34 a barrel, and work – along with the momentum the consortium had built up in Alberta – disappeared.

**THAT COULD HAVE BEEN IT FOR THE CONSORTIUM'S DIVERSIFICATION** plans. But a decade of economic turbulence in northwestern Ontario had taught Thunder Bay's business leaders that they couldn't just look inward for opportunities anymore. It's unlikely that six pulp and paper mills will ever operate again in this city, a once-thriving industrial hub in its own right. But there are opportunities elsewhere, particularly in Western Canada. It would take more than a brutal recession for Thunder Bay to give up pursuing those opportunities.

In the fall of 2010, the consortium completed a re-branding process. It changed its name to the Thunder Bay Metal Fabricators Association.

POWER:ON

# \$15 billion

CAPITAL SPENDING EXPECTED  
IN 2011 IN THE OIL SANDS

The association has five lead companies and more than 40 associate members. All of the companies provide services relating to the design, manufacture, repair and installation of a broad range of products fabricated from metal. The association's website states that its members have 100,000 square feet of "fully equipped state-of-the-art shops and facilities." The combined number of employees under the association's umbrella totals 800.

The re-branding is part of what is being called Phase 2 of the efforts to market Thunder Bay's heavy industrial talents beyond northwestern Ontario. The association is no longer just targeting business opportunities in Alberta's oil sands, but in various resource sectors throughout Western Canada.

The timing for Peterson and his Thunder Bay colleagues looks promising. The marketing push coincides with projections that Canadian capital spending in the petroleum sector will hit \$44 billion this year, up from \$42 billion in 2010. About \$15 billion of the 2011 total is expected to come in the oil sands sector. That compares with \$13 billion spent in 2010 and \$11 billion in 2009. If these figures pan out, Thunder Bay's metal fabricators will be beating the bushes out west at the beginning of a boom instead of at the end of it.

"I travel to Alberta seven or eight times a year and meet as many different people as I can," says John Jurcik, the association's chairman. "With the economy possibly on the upswing, I want to do some work there."

Everybody in the association does. But the push westward for work is not just something a few dozen companies in Thunder Bay are pursuing. It's a city-wide strategy. The Thunder Bay Community Economic Development Commission's 2010-2012 Strategic Action Plan notes that the city's manufacturing sector could provide steel for the oil sands sector in Alberta, as well as for the emerging activity in Saskatchewan and North Dakota. Thunder Bay steel could also forge pipelines destined for the budding gas fields in northeastern British Columbia.

The city's economic commission says it will help the fabricators' association secure three to five new deals or \$25-\$30 million in new manufacturing contracts over the next 24 months.

Considering how many billions of dollars are expected to be invested in the oil sands and the oil and gas industry in Canada in 2011, those goals seem pretty modest. But that's a good thing, as Jurcik and Peterson say progress has been slow on getting any business from

the oil sands sector so far. "The amount of work we're getting out of Alberta, it hasn't been much," says Jurcik, who is also president of Venshore Mechanical Ltd., one of the association's five lead companies. "It's been a tough road making contacts. We've proved ourselves to a few customers but it's still tough. We've got shops here at 10 to 15 per cent capacity."

While the old saying goes that familiarity breeds contempt, when it comes to awarding contracts for multimillion- and multibillion-dollar projects, that isn't necessarily the case. Like any corporate creature, oil and gas companies like a proven commodity. Industry giants like Suncor Energy Inc., Shell Canada or Syncrude Canada Ltd. regularly turn to the same crew of builders and suppliers to handle massive plant turn-arounds. Trying something new carries risk. Shoddy work and cost overruns can delay progress on massive projects and show up as unflattering line items in quarterly statements.

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Steve Demmings, the chief executive officer of the Thunder Bay Community Economic Development Commission, has no doubt the city's metal fabricators can do quality work for oil sands clients. He says all they need now is the chance to prove it.

"In Thunder Bay we've got machinists, welders and other tradespeople. They are very talented people and there are a lot of them," Demmings says. "But in the last 10 years, the whole business has changed. Thunder Bay was so reliant on forestry. These people are great at what they do; they just need to be marketed better."

**THIS IS WHY THE THUNDER BAY OIL SANDS CONSORTIUM** is now the Thunder Bay Metal Fabricators Association. It's also why Jurcik says he and other members of his association will be in Alberta this March in an >>

effort to make contacts and re-establish themselves in the western marketplace.

One challenge they will have to overcome is geography. The cost of delivering manufactured goods from far-off Thunder Bay to project locations north of Fort McMurray is a real concern for companies already

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skittish about cost overruns. But Thunder Bay, which bills itself as the “Gateway to the West,” is well connected by road, rail and water to Western Canada. The Trans-Canada Highway goes through the city and its large port extends 55 kilometers along the shoreline of Lake Superior and the Kaministiquia, McKellar and Mission rivers where ships coming into Thunder Bay regularly offload cargo to trucks and trains destined for other ports of call west and north of the city.

In fact, the Thunder Bay Port Authority and CN Rail have made improvements – such as widening bridges and removing protruding rock faces – to the

2,400-kilometer railway route leading from the port to the heart of Alberta’s oil sands. The work has eliminated any impediments to moving large, heavy equipment like vessels needed at oil sands sites.

But as the key players in Thunder Bay’s metal fabricator sector raise awareness about the quality of the work they do and the infrastructure the city has, one factor they have no control over is the amount of work that is out there.

While forecasts look promising for 2011 and beyond, activity levels are nowhere near what they were during the bygone boom.

However, as capital spending ramps up, finding enough skilled tradespeople, engineers and other professionals is once again emerging as a major challenge. It might be even more challenging this time around. The Petroleum Human Resources Council says in its Canada Labour Market Information Survey that there was already a shortage in late 2010 and the demand for additional workers in 21 key construction and engineering occupations will grow by 400 to 1,400 every year up to 2020.

Solving these labor issues will require a number of solutions for the oil and gas industry, particularly companies involved in capital-intensive oil sands projects. One way around it is to outsource work to companies in other countries, as Imperial Oil Ltd. did for its \$8-billion Kearsy oil sands project. Thunder Bay’s metal fabricators



**LARGE CARGO, SUCH AS COMPONENTS FOR WINDMILLS AND REACTORS, CAN BE OFFLOADED AT THUNDER BAY'S PORT AND SHIPPED WEST**



PHOTOS COURTESY OF THUNDER BAY PORT AUTHORITY

could only watch in dismay as Imperial handed a US\$250-million contract to produce 200 pre-assembled bitumen processing modules to South Korea's Sungjin Geotec Co.

"That industry expertise is here for the taking," Demmings says. Why award contracts for oil sands work to companies in South Korea, China, even the United States, when the work can be done just as well and just as cost-effectively in Alberta, or if need be, Thunder Bay, he asks. "We all know when oil was north of \$100 a barrel the problems Fort McMurray had. So it would be prudent for the industry to use the labor we have here. It's high quality and it's stable."

There are some signs that Thunder Bay is making inroads again in the West. One of the metal fabricators association's core companies, Coastal Steel Construction Ltd., recently completed a project fabricating structural steel components destined for Fort McMurray. Coastal

Steel got the work when it was subcontracted to them by Edmonton-based steel fabricator Waiward Steel Fabricators Ltd.

As the association and its members try to open doors and gain new business in

Western Canada, they have gained one ally in Waiward Steel's chief executive officer Don Oborowsky. He has used Coastal Steel on two other jobs in the past and has been impressed with the finished

product. "The work they did and sent to us here was just as good as anything that could have been done in Alberta," Oborowsky says.

With an eye to increasing awareness and goodwill, the association brought Oborowsky to Thunder Bay last November, showing off its members' and the city's assets. Oborowsky says the trip was informative. Thunder Bay has a lot of capacity, skills and knowledge that can be put to good use in Alberta, he says.

"Right now they've just got to be a little patient because Albertans are not that busy and we haven't been that busy for the last two-and-a-half years. But it is tough being patient when you are sitting idle," Oborowsky says.

But sitting idle is not in Peterson Machine & Supply Inc. president Paul Peterson's plans. He has no trouble imagining a time when the company's 14,000-square-foot facility is jammed with work 24 hours a day, five days a week. For that to happen, the association's latest foray into Western Canada will have to pay off. "I'd love to have 35 to 50 per cent of our activity be from the oil sands and other western business opportunities. That would be some nice diversification."

POWER: ON

800

EMPLOYEES WORKING FOR THUNDER BAY METAL FABRICATORS ASSOCIATION COMPANIES

## PORT OF CALL: AN OIL SANDS STAGING GROUND IN NORTHWESTERN ONTARIO

As the Thunder Bay Metal Fabricators Association ramps up its efforts to increase the business it does with Alberta's oil and gas industry, one of the key assets it inevitably points to as a selling point is Thunder Bay's world-class port facilities.

In 2010 the port handled over 6.8 million tonnes of cargo and it has the infrastructure and capacity to ship big loads to customers in the West. Knowledge of those facilities isn't well known in Western Canada. But that is changing. The Thunder Bay Port Authority, the organization that runs the port, continues to position itself as an economical option for shipping heavy equipment destined for oil sands sites in Western Canada.

That was part of the rationale for the port authority partnering with CN Rail and making improvements – such as widening and strengthening bridges and removing protruding rock faces – to a 2,400-kilometer railway route leading from the port to the heart of Alberta's oil sands.

But when the global recession put the brakes on capital spending by companies worldwide – including companies involved in the oil sands – business from that sector dried up. Still, the port has remained busy and so has the upgraded western route. For example, in 2010 wind turbine equipment and a methanol plant

were all offloaded by ship at Thunder Bay's port and sent to Alberta on the CN Rail route. "We've been able to move different things on the route. It's not just for the oil sands," says Thunder Bay Port Authority president and CEO Tim Heney.

Heney hasn't written off the oil sands as a potential major source of business for the port though. As the economy improves, he expects the port will be sending heavy equipment – like the 450-tonne reactor the port handled in 2008 – out west to oil sands sites again. "We feel there are opportunities there," says Heney. **AO**

