

Canadian Association of Oilwell Drilling Contractors (CAODC)

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The Canadian drilling and service rig industry is a critical sector within the upstream oil and gas community. We provide a necessary service for our clients (oil and gas producers) to develop Canada's petroleum resources. The drilling and service rig industry is part of a larger petroleum services sector. It employs thousands of Canadians from coast to coast and significantly contributes to the country's overall GDP. Moreover, the drilling and service rig community is recognized internationally for its innovation and technology. Our business relies on producers to invest capital into new projects (oil and gas wells) in order to be profitable. The oil and gas industry is a competitive business. Consequently, the industry is competing globally for this capital. Investors have a range of options to consider. In order for Canada to take advantage of these opportunities, it needs to provide a stable and competitive regulatory and fiscal regime. When an investment is made to develop Canada's petroleum resources, it is the drilling and service rig industry, along with a multitude of other service providers who directly benefit. The industry will in turn employ thousands of people and provide economic benefits across the country. It provides Canadians with good paying jobs and the raw materials to heat their homes and power their cars. If Canada's regulatory and fiscal climates are competitive, producers will continue to invest new capital, benefiting all Canadians. Over the next several decades, fossil fuels will still be the dominant player in our energy mix. North America and in particular Canada has an abundance of natural gas. It is the cleanest burning fossil fuel today. However, at today's prices and inventories, very few producers are investing in developing dry natural gas. There is an opportunity for the government to encourage and incentivize the use of natural gas in electrical generation and in the commercial transportation industry. There are many benefits for the government to adopt such policies. The electrical generation costs are arguably cheaper than conventional fuels and it is the lowest carbon intensive fossil fuel. These factors could assist Canada in meeting its greenhouse gas targets.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Canada is in an enviable economic position. Much of the developed world is in an economic crisis. With strong leadership, Canada can position itself to prosper. We have an abundance of natural resources that are in demand throughout the world. Moreover, we have the expertise and technology to develop these resources sustainably and in an environmentally sensitive manner. The federal government can promote job creation and enhanced internal and international trade by diversifying oil and gas market access and providing a competitive regulatory and fiscal regime for investment. Canada is not taking full advantage of its resource economy because of a lack of market diversification. In western Canada,

petroleum products are sold at a discount to WTI and Brent. The result is a loss of significant revenue for Canada. The industry requires access to Asian markets. Moreover, it requires expanded capacity to the United States and eastern Canadian markets. Canada needs to provide a competitive regulatory and fiscal regime. The government can facilitate investment through a competitive corporate and personal income tax structure. Additionally, it can promote capital investment through streamlining major project reviews.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Canadian businesses are experiencing the challenges of a growing retirement population. This will have an impact on future economic growth as expertise and industry knowledge leave the workforce. There are several public policy initiatives that the federal government can implement to alleviate these challenges. The existing domestic labour force needs to be utilized effectively. There are regions in the country with an oversupply of jobs while others have an oversupply of people without work. The government should incentivize Canadians to relocate to where there are jobs. This could be done through the employment insurance program or through other forms of financial support. Other measures would be to provide a tax credit to businesses that provide assistance to relocate a worker or that provide travel for seasonal work. The immigration system should be streamlined to focus on economic immigrants who fit the needs of local businesses. Some work has already been done on this file. However, the drilling and service rig field personnel are considered “unskilled” according to their respective National Occupational Classification (NOC). This has resulted in restricting CAODC members from accessing the various accelerated temporary foreign worker programs. Industry trade associations, such as the CAODC should be allowed to hold a Labour Market Opinion (LMO) survey on behalf of their memberships. CAODC represents a number of small privately owned drilling and service rig contractors that do not have the resources to conduct a survey. By allowing CAODC to complete this work would greatly assist small and medium sized contractors to meet their labour needs. The secondary school system should be encouraged to provide students with early access to trade programs. It would be ideal if a student had completed a number of courses towards a journeyman trade prior to leaving high school. The drilling industry has adopted a Red Seal trade and would greatly benefit from the introduction of these programs. Finally, the government should incentivize individuals to stay in the workforce longer. This could be done through existing government pension plans whereby an individual continues to contribute past 65 however receives higher benefits at a later retirement date.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada’s population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

In order for Canada to stay competitive and productive, a complement of skilled workers is required. Moreover, competitive regulatory and fiscal regimes need to be maintained to continue attracting investment.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

The government wants Canada to become an energy superpower. Industry representatives are supportive of this goal. However, there are a number of challenges that will restrict this agenda. The government needs to address the labour supply. Industry will suffer without a complement of skilled labour. Industry operates in one of the most expensive jurisdictions in the world. If the labour supply is not addressed it could have significant cost implications through unsustainable wages and inflation. The government needs to address market access. Western Canadian crude and natural gas is sold at a discount to WTI and other international prices. This is a significant revenue loss for the industry and government. Moreover, Canada has only one major customer, the United States. It is important to diversify these markets and provide better economic security for Canada. The government needs to continue to streamline major project approval processes. The government is moving forward on a “one project, one review” assessment for major projects. CAODC is supportive of this initiative and would encourage the government to continue to reduce unnecessary regulatory burdens while still protecting the public and environment.