

**Subject: Fly-in Fly-out and Project Accommodations****APPROVALS:****Annette Antoniak**\_\_\_\_\_  
Director\_\_\_\_\_  
Chief Administrative Officer**Recommended Motion:**

The task of increasing Industry's use of a locally based workforce will continue to require significant effort from many sectors in the region. For this to occur, all parties cannot afford to let this effort slide. While the RMWB will continue to lead this effort and dedicate resources to continue this work, Industry, contractors and the camp providers cannot afford to ignore this issue.

It is recommended that Council direct Administration in accordance with the below:

THAT Administration be directed to:

- a) Pursue commitments made by Industry signatories arising from the existing signed memoranda of understanding (MOUs).
- b) Continue to request signed memoranda from active oil sands producers.
- c) Work with Industry, contractors, camp providers and other partners to identify priority transportation infrastructure projects that would help improve highway safety and decrease the commute time from regional communities to oil sands projects. This would include retaining experts as required, in partnership with Industry. Once identified, all parties to work collaboratively to encourage provincial and federal funding.
- d) Work with Industry to conduct "Park and Ride" pilot projects that will support Industry projects north and south of Fort McMurray. This includes the expenditure of municipal funds to prepare sites for projects of this scale, once obtaining agreements for usage from Industry partners.
- e) Encourage Industry to:
  - i. increase its use of Fort McMurray as a hub for its camp-based operations workforce
  - ii. incent its workforce to live in Fort McMurray while off-shift
  - iii. support travel to the job site via a "Park and Ride" or flights from the Fort McMurray International Airport and return home to Fort McMurray or other residential centres in the region at the end of their shift rotation.
- f) Continue and expand the Regional Municipality of Wood Buffalo community engagement initiatives related to rotational workforce.

- g) Implement MDP Policies R.1, 1.1, 1.3 and 1.4 by amending *Land Use Bylaw 99/059* (the “LUB”) to divide the definition of “Project Accommodation” into categories recognizing the distinction between “operational Project Accommodation” and “construction/turnaround activity Project Accommodation” and defining how a 75 km “moratorium distance” (or equivalency) may reasonably be implemented with respect to “operational Project Accommodation(s)”.
- h) Encourage that all new discretionary use Project Accommodation (camp) applications be located within the “Consolidated Work Camp Area(s)” in proximity to Fort McKay and Conklin areas, as identified on the MDP’s “Regional Growth Concept” map.
- i) Further explore opportunities for the Municipality to encourage increased local employment via grants or other non-tax related incentives.\*
- j) Explore opportunities for the Municipality to provide financial incentives for Seniors to continue to stay, or relocate to, the region.
- k) Along with Industry and other stakeholders, determine the baseline for reporting back to Council the progress of these initiatives to Council no later than December 10, 2019.

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\*Administration has received a legal opinion that the *Municipal Government Act (MGA)* has restrictions related to tax subsidies/exemptions/reductions that limit our ability to specifically incent oil sands workers to move to the RMWB.

**Summary:**

On April 5, 2016, Council for the Regional Municipality of Wood Buffalo (RMWB) moved as follows:

That Regional Municipality of Wood Buffalo Council enter into discussions with the oilsands companies with a view to quickly formulating a plan that would both:

- a) reduce the property tax burden on oilsands companies; and
- b) see oilsands companies expand the employment of residents of the RMWB with particular focus on elimination or reduction of costly fly-in, fly-out operations that exist at many of the oilsands operations in this Municipality.

On December 11, 2018, Council for the RMWB passed two separate motions:

That Administration continue to collaborate with the Oil Sands Community Alliance (OSCA) and other community stakeholders to develop a formal partnership to execute a plan and strategies to attract workers to reside in the region rather than choosing Fly In, Fly Out; and

That the Wood Buffalo Steering Group present quarterly progress updates to Council on proposed options.

and

That Administration be directed to bring to Council a comprehensive plan to attract workers to reside in the region rather than choosing Fly In, Fly Out by the end of the first quarter of 2019 including any potential tax incentives.

On January 28, 2019, Council passed two additional motions directing Administration to:

Take the necessary steps to bring forward a bylaw to impose a moratorium within 75 km of the urban service area allowing for extraordinary circumstances that include turnaround, exploration, maintenance periods and capital projects. This shall not apply to any project accommodations not accessible by road.

and

- a) revisit the memorandums of understanding that have been signed in the last 10 years to see if they are still relevant;
- b) undertake a community engagement initiative related to rotational workforce;
- c) look at the individual project accommodation camps when they come up for approval and or renewal applications and work directly with industry partners to reduce the number of people utilizing camp accommodations as much as possible with the aim of reaching the MDP target of 10% by the year of 2030;<sup>1</sup>
- d) work with industry to bring flights through the Fort McMurray International Airport;

and that Administration report back to Council by June 30, 2019.

This Report serves to inform Council on the work that Administration has undertaken to fulfill Council's directions on oil sands employment/residency issues, project accommodations (otherwise and commonly referred to as "camp accommodations" or "work camps") including fly-in fly-out (FIFO), and to summarize what has been learned as a result.

### **Background:**

#### **RMWB – Historical position on camps and FIFO operations**

The RMWB began raising concerns with Industry<sup>2</sup> on the use of FIFO workforce models in 2006. In that year, at three separate Alberta Energy and Utilities Board hearings, the

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<sup>1</sup> Municipal Development Plan (MDP), Bylaw 11/027, approved by Council on October 25, 2011.

<sup>2</sup> "Industry", as a term used in this report is used primarily to refer to oil sands producers but may also be used contextually refer to the collective of producers, independent contractors supporting the producers and project accommodation (camp) providers.

RMWB described project accommodation as “only a temporary solution”<sup>3</sup> and “in the long run, these [camps] do not contribute to building complete integrated and sustainable communities”.<sup>4</sup> The RMWB’s position was that “permanent camps are not the answer”.<sup>5</sup>

The RMWB continued to express its concerns at subsequent regulatory hearings:

- FIFO operations can weaken the sense of community in the region<sup>6</sup>
- The RMWB’s position is that in the long-term, it would be preferable for oil sands operations workers and their families to live in the local communities....there are possible solutions for achieving this vision, for instance a collaborative effort by oil sands operators in the region to develop a more efficient transportation method to transport workers from local communities to the oil sands sites.<sup>7</sup>
- The Municipality encourages and supports the efforts of companies that choose to not use a FIFO model for their operations workers. Encouraging operations staff to live within the community is key to the development of a thriving and sustainable region that will support the development of the oil sands industry.<sup>8</sup>
- [the RMWB] strongly advocates for the use of local employment.<sup>9</sup>

These statements were part of a larger strategy to raise awareness of the challenges the region was facing.<sup>10</sup> While the infrastructure and public service challenges at that time were widely recognized, action was not occurring fast enough to meaningfully address the issues. The RMWB’s position was that only a coordinated government and Industry effort would be able to make headway. While initially misunderstood as an attempt to explicitly stop oil sands development, Industry became engaged in the process and worked with the RMWB. Once Industry and other stakeholders understood what the RMWB was trying to achieve, their concerns appeared to diminish.

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<sup>3</sup> RMWB Hearing Submission - Suncor Voyageur and Steepbank Extension, p. 13.

<sup>4</sup> Shell Muskeg River Public Hearing Transcript, Volume 5, p. 1056.

<sup>5</sup> RMWB Hearing Submission – Imperial Kearn, p. 257.

<sup>6</sup> RMWB Hearing Submission – Total Joslyn North, p. 35.

<sup>7</sup> *Ibid.* p. 13.

<sup>8</sup> RMWB Hearing Submission – Shell Jackpine Mine Expansion, p. 11.

<sup>9</sup> Teck Resources Frontier Public Hearing Transcript, p. 2751.

<sup>10</sup> “A major challenge for planning in Municipality is how to encourage more permanent residency over the longer term, while providing the services these shift workers need.” Regional Structure Action Strategy (RSAS) Technical Papers on 1 - Growth Forecast, 2 – Transportation, and 3 - Growth Management (Fall 2014; adopted by RMWB Council June 23, 2015). From *Growth Forecast*, p. 7.

## Memoranda of Understanding

From 2006 to 2013 the RMWB signed 13 separate Memoranda of Understanding (MOU) with oil sands project proponents.<sup>11</sup> The MOUs reflected the FIFO and project accommodations-related concerns that the RMWB had at the time.

Although each MOU is unique, the wording consistently acknowledges that the RMWB has concerns about potential negative impacts from camps and FIFO operations:

- A. *The Proponent acknowledges that the Municipality has ongoing concerns about the potential impact of fly-in fly-out operations, and, in that context, with respect to the potential for adverse social impacts within the Municipality, the Proponent shall:*
  - a. *Continue to encourage its employees and contractors to reside within a residential area within the Municipality. The proponent shall maintain communication with the Municipality regarding future plans;*
  
- B. *With respect to the potential for adverse impacts on municipal infrastructure, the Proponent shall:*
  - a. *Support the use of mass transportation systems to transport the majority of its staff from the local aerodrome(s) and communities to the Project site;*
  
- C. *With respect to engaging collaboratively and establishing a mutually beneficial working relationship, the Municipality shall:*
  - a. *Maintain its right to advocate the benefits of locating workers within a permanent community, and the detrimental effects of fly-in fly-out practices to the ERCB, Government of Alberta and other stakeholders;<sup>12</sup>*

The MOUs were stated to be active during construction, operations and decommissioning phases of the associated project. As stated, the commitments contained within the MOUs were for the life of the project.

Typically, the MOUs were signed as an outcome of the RMWB withdrawing from the regulatory review process for that applicant's oil sands project. In addition to this regulatory consideration, the MOUs are statements of intention that speak to the recognition by both the producers and the RMWB that "oil sands development ... has economic, environmental, social and cultural impacts on the residents of the [RMWB] ...

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<sup>11</sup> MOUs were signed with Athabasca Oil, Cenovus, Connacher, Devon, E-T Energy, Harvest Operations, Ivanhoe, JACOS, Imperial, MacKay OPCO and Dover OPCO (PetroChina), Shell, Sunshine, and Total E&P.

<sup>12</sup> Excerpt from an MOU signed in 2012. Details privileged as agreement is stated to be "confidential".

[with both parties sharing] a commitment to the well-being of the residents and the communities as a whole within the [RMWB].”<sup>13</sup>

### **The Municipal Development Plan (MDP)<sup>14</sup>**

The MDP is the municipality’s prescriptive, local, long-range forecast planning instrument, required by the *Municipal Government Act* (MGA).<sup>15</sup> The MDP was approved through a public hearing process in 2011. Regional Growth as outlined in the MDP identified that in 2010, 22% of the population resided in project accommodations<sup>16</sup> and that the percentage would reduce to 10% by 2030.<sup>17</sup>

Specific direction was provided in the MDP on the matter of project accommodations in the context of regional growth management:

***Direction R.1 – The regional growth strategy is to concentrate new development while encouraging new and migrant workers to become permanent residents of the region, thereby minimizing the transient nature of the workforce. Through stability and permanence, municipal service provision will become more sustainable. The Priority Growth Areas of Fort McMurray and Anzac will accommodate the bulk of the growth, while more modest increases in population will be accommodated in other rural communities. Work camps will continue to provide accommodation for those on short-term employment, but long-term operational employees will be encouraged to settle in developed areas. To accommodate the oil sands construction workforce and remote operations, two new consolidated work camps will be supported at locations where significant employment is expected. Consolidated work camps promote efficiency through economies of scale and are able to provide more amenities to workers. [emphasis added]***

***Direction R.1.1 - Fort McMurray will continue to be the primary settlement area and service centre for the region. [emphasis added]***

***Direction R.1.3 - Work camps associated with oil production will continue to offer a reasonable form of accommodation for some workers, in particular for temporary construction workers and those in remote locations beyond a***

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<sup>13</sup> Ivanhoe MOU - March 5, 2013, recital provisions.

<sup>14</sup> MDP, *op. cit.*, Note 1.

<sup>15</sup> *Municipal Government Act* (MGA), RSA 2000, C. M-26, section 632.

<sup>16</sup> Municipal Development Plan, Bylaw 11/027, p. 24.

<sup>17</sup> *Ibid.*, p. 48.

**reasonable commuting distance from settlement areas.** However, to the greatest degree possible, **work camps should be consolidated** to facilitate the provision of services. In partnership with the Province and oil industry, the Municipality will explore opportunities to consolidate work camps, both north of Fort McKay and in the Conklin area. [emphasis added]

**Direction R.1.4** - It is one of the underlying assumptions of this Plan that **long-term operational workers in the oil industry can be attracted to settle in Priority Growth Areas.** As community amenities are enhanced, housing solutions are addressed, and transportation solutions are developed, the Municipality will work with the Province and the oil industry to **limit the use of work camps within a reasonable commuting distance from Priority Growth Areas as a means of encouraging permanent residency.** [emphasis added]

### Changes made to municipal taxation

In 2016 the Government of Alberta introduced the concept of a linked “tax ratio” (LTR) – a mandatory requirement for all municipalities to set their property taxes so that the highest non-residential property tax rate would not be more than 5 times the lowest residential property tax rate.<sup>18</sup> At the time of introduction of this LTR the RMWB’s ratio was 18.3 to 1, the Province has yet to specify the precise timing of this compliance.<sup>19</sup>

The Municipality and industry partners worked to develop a 10-year transition plan that was ultimately submitted to the Government of Alberta. In principle the plan was accepted as a recommendation. The compliance timeline is understood to notionally be 10 years, with some flexibility as to time.<sup>20</sup>

### Recent conversations with Industry

Following Council’s latest directions made on January 28, 2019, Administration met with numerous stakeholders,<sup>21</sup> including oil sands producers, accommodation providers, and Indigenous partners, to discuss their perspective on the use of FIFO. Industry was encouraged to share information on the value and challenges that local and FIFO

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<sup>18</sup> MGA, section 358.1 (3.1).

<sup>19</sup> The 2019 tax ratio was approved as 12.45 to 1. RMWB “Fiscal Management Strategy (2019 – 2021)”, p. 3; RMWB Council Minutes, May 7, 2019.

<sup>20</sup> “(T)he minister (has) regulation-making powers in terms of timelines ... and this gives us the flexibility to ensure that communities have plenty of time to adapt.” Municipal Affairs Minister Shae Anderson, Hansard, May 17, 2017, p. 1109.

<sup>21</sup> Four engagement sub-committees were established for community support services; transportation; housing; and Indigenous and Rural. Representatives of the RMWB community at large populated the committees.

workforces bring to their operations. While this report reflects aspects of all the conversations that were had with oil sands producers, only the responses that were granted approval to be shared publicly have been included, as is, in this report (Attachment 5).<sup>22</sup>

As part of this engagement action, Industry invited members of Council and Administration to travel to oil sands facilities and camps. These site visits were very informative and helped develop a greater understanding of the travel needs and the varied nature of oil sands extraction facilities.

Through these conversations with Industry, Administration has identified three themes that offer the potential to respond to Council's objectives.

### **Safety**

Safety is a core value for all parties, particularly Industry. Oil sands operations are large, complex industrial sites that have an associated inherent level of risk. Each day, oil sands companies rely on their workforce to operate safely. This safety is impacted by many factors – one of which is the travel time to the site at the beginning and end of the daily shift.

Given the long shifts that employees work, both oil sands producers and camp providers expressed concerns over the daily commute time to and from project sites. Employees are expected to arrive at site fit-for-duty so that they can go about their daily work as safely and effectively as possible. Then at the end of the day, which can be 10 to 12 hours (or more), employees need to have enough time to return to their living quarters to rest and prepare for the next day's shift. Examples were given of how some employees chose to leave the region, in large part, because the daily commute to the work site was too long.

Safe travel and tools to mitigate concerns were discussed. The suggestion to create one or more "Park and Ride" locations was introduced, and many producers expressed an interest in evaluating the attraction of this option to their workforce. To that end, Administration has identified several sites in Fort McMurray (north and south of the Athabasca River) where "Park and Ride" facilities could occur. Administration is working directly with one company to begin a pilot project on one of the potential sites to test its effectiveness at reducing the daily commute time from Fort McMurray to one project site. The proposed "Park and Ride" location is in Abraham's Landing, west of Thickwood Boulevard, with a site substantial enough and located to limit the potential spillover effect on any nearby residential neighbourhood.

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<sup>22</sup> Due to the competitive nature of attracting and retaining a workforce in this region, some discussions were considered confidential and some companies further requested that Non-Disclosure Agreements (NDAs) be signed to restrict the release of company specific information.

Another commute time safety concern consistently raised by Industry was the inadequate existing provincial road infrastructure. It was felt that an increase in daily traffic on these roads would increase an already difficult situation. Specific and strategic improvements to Highway 63 north of Syncrude's Mildred Lake site and Highway 881 have been lobbied for by Industry to the Government of Alberta for a number of years, but with limited success. Expanded road infrastructure in the region would decrease the amount of time that a locally based employee would spend commuting to their place of employment, decrease their time away from home, and subsequently increase safety and worker satisfaction. It would also likely reduce any potential conflict between individual drivers and mass-transit and commercial traffic.

Administration has reviewed previous work regarding the identification, cost and benefit of potential road infrastructure in the region.<sup>23</sup> An update to this work was recommended to occur every three to five years and this refinement should identify where infrastructure spending may best be spent to the benefit of all parties in the region. Preliminary conversations with Industry about this additional work have occurred.

A benefit of Council's direction has been the free-flowing conversation and exchange of ideas that have taken place between the end of January through to mid-May. As an example, RMWB staff asked Industry about the possibility of altering workplace shift lengths. Administration learned from all producers that while this would be difficult, Industry was open to having employees permanently living in the region – with transportation provided to site at the commencement of the shift (with varying durations of 7, 10, 12, 13 or 14 days), and then back to their local home in the RMWB at the end. Some Industry members already offer this option to their employees, but many did not. Most Industry representatives seemed to be open to explore other strategies to operate their workforce in a manner responsive to RMWB objectives.

### **Workforce attraction and retention**

Administration heard from Industry that even over the tough economic climate of the past 3 years across Alberta and Canada, the oil sands workforce remained a competitive market with certain positions and trades remaining in very high demand. This high demand for skilled tradespeople and senior leaders is felt throughout the world; therefore, it gives employees that fill these crucial spots the ability to dictate certain terms of their employment, including their preferences regarding FIFO or living locally. Given the fact that experienced individuals may have established their families outside the region, Industry expressed a real reluctance to force these individuals to move to the RMWB. Industry believed that their employees have a reasonable expectation of choice about where they live and how long they choose to live there.

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<sup>23</sup> See note 11 above. RSAS Technical Papers (Fall 2014), as adopted by RMWB Council June 23, 2015. The RSAS was a collaborative initiative between the RMWB, Industry, and the Government of Alberta (GOA) to revise regional growth forecasts and related infrastructure needs.

Regarding this choice, Administration cited examples of Industry encouragement and employment ads directing prospective employees to relocate outside the region, closer to hubs like Calgary, Edmonton and Saskatoon, to fly directly to Industry operated aerodromes (FIFO). These examples contrasted the use of “living local” employment strategies/incentives used by some members of Industry. The Oil Sands Community Alliance (OSCA) has reported that some of these incentives include:<sup>24</sup>

- Relocation expenses
- Fort McMurray uptick allowance (typically 15% of base salary)
- Rental assistance program (\$1,000 to \$1,500/month)
- Mortgage Assistance Program
- One-time housing allowance/down payment (up to \$40,000)

Even when offered financial incentives like these to live in the region, many Industry members and contractors stated that significant portions of their workforce simply choose not to relocate to the RMWB.

Other producers shared that where they have successfully brought in new hires to live in the region, they often have difficulty keeping them in the face of higher wages paid by the larger producers. In an example, the larger operator then required this same employee to leave the region to move proximate to a distant FIFO hub.

All the companies that met with Administration stated that they would hire local and many of them stated that their hiring processes give preference to locally based employees. However, all Industry representatives spoke of the difficulty they have experienced when trying to hire local – that there simply isn’t a big enough local pool of skilled qualified labour. This, combined with what was learned about the willingness of existing employees to move to the region, led to conversations about how to increase the number of skilled tradespeople that live in this region.

While a Keyano College representative was not present at these meetings with individual companies, it was identified by all parties that Keyano plays a crucial role in responding to the need for a locally based and skilled workforce. Administration encouraged Industry to reach out to Keyano’s senior leaders, to work closely with them to identify the existing and future needs of Industry, and to partner on apprenticeship opportunities.

### **Regional marketing and education**

When Industry workers are asked, there is no clear preferred choice on where they wish

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<sup>24</sup> OSCA Fly-In Fly-Out RMWB Fact Sheet, <http://www.oscaalberta.ca/wp-content/uploads/2015/08/OSCA-Fly-In-Fly-Out-RMWB-Fact-Sheet.pdf>.

to live. Industry has retained Nichols Applied Management (Nichols) to conduct surveys of the FIFO workforce on a wide variety of topics.<sup>25</sup>

Administration has examined Nichols' work to understand why people choose not to live here and under what conditions an individual might be interested in moving to the region. Efforts have also been made to understand with greater clarity which province or territory these employees reside in, their age, gender and family status - all with a view to better inform a targeted marketing and communications plan that might successfully respond to worker residency preferences.

In summary, the studies suggest that young (aged 25 - 34) individuals from Ontario and the Atlantic Provinces are most willing to relocate to Fort McMurray. In this age group, the most frequently cited reasons by "operations-related" FIFO workers not living in Fort McMurray include:

- Housing is too expensive
- Immediate family already settled elsewhere
- Fort McMurray is too far or too remote to travel to
- Concern with social conditions

The most frequently cited changes that would lead young workers from Ontario and Atlantic Canada to consider relocating to Fort McMurray include:

- Increased job security (i.e. confirmation of longer-term work)
- Improved housing incentives
- Increased employment opportunities
- Improved transportation network
- Increased recreation options (e.g. ice arenas, swimming pools, recreation facilities, gyms)

In some cases, it is not just about the money. In particular, the younger age group (i.e. "millennials") are looking for a wide variety of dining, recreational and cultural opportunities. Findings such as these will help Administration and Industry work together to make Fort McMurray a more attractive place to live. Some findings will require significant changes (improved transportation networks); some will be extremely hard to make a meaningful impact (immediate family already settled); and some show that respondents are simply not aware of what the region has to offer.

The *Wood Buffalo Economic Development Corporation* (WBEDC) is actively working on

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<sup>25</sup> The most recent Nichols survey occurred in 2017 and the client, OSCA, shared the findings with many different organizations throughout the region. *Oil Sands Operations-Related Rotational Workforce Study*, <http://www.oscaalberta.ca/wp-content/uploads/2015/08/Oil-Sands-Operations-Related-Rotational-Workforce-Study.pdf>.

creating materials and a strategy to implement these plans. With Council's direction, Administration is working closely to support WBEDC.

It is important to note that every individual and company in the RMWB has a role to play in promoting the region. It cannot be left to only Industry, the RMWB or the WBEDC to showcase those things that make the region attractive.

Industry members spoke in strong support of regional marketing and promotion and have committed to providing access for marketing materials that are developed to be placed in the camps where their FIFO operational employees reside or posted on company or camp websites. Doing so will help provide information about the region to their employees if/when they are contemplating relocating to the region.

Some Industry partners also continue to actively conduct surveys with their employees and have offered to involve Administration and share their findings with us. These surveys are anticipated to build off the Nichols work and will help further refine targeted marketing and messaging about the region.

### **Recent conversations with camp providers**

In addition to the conversations that Administration had with Industry, it also met with three of the region's largest camp providers. These conversations effectively provided Administration with an understanding of how the camp business operates and the challenges that it too faces in the RMWB.

Not unlike Industry, camp providers are experiencing economic challenges and, as a large and important contractor to Industry, have been responding accordingly by laying off staff and consolidating their operations. Stable occupancy throughout the region appears to have disappeared. Camp providers' core business is transitioning to accommodating the temporary housing needs of the industrial workforce that is needed to conduct the relatively short projects associated with maintenance, turnaround and construction activities. The camps required to house these workers can be opened and closed within a relatively short amount of time which allows the camp providers to be very responsive to the needs of Industry when unexpected events occur.

The percentage of local residents employed by camp providers varies from facility to facility.<sup>26</sup> Similar to Industry employees residing in the camps, the camp worker length of stay in the region can be for relatively short periods of time. Like Industry, the camp providers stated that they understand the value of hiring local and prioritize this hiring wherever possible. However, Administration heard that due to the cyclical nature of the camp business, a higher emphasis on local employment could also result in a larger

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<sup>26</sup> Camp employees include security workers, cooks, administrators, cleaners, maintenance personnel, food providers and delivery, etc.

number of local layoffs as well.

Administration heard that, again like Industry, the camp providers have substantial and valued relationships with regional Indigenous communities. Combined with the local non-Indigenous businesses, these contracts and partnerships also provide significant local economic benefits throughout the region.

### **Recent conversations with contractors**

Through the conversations with Industry, it quickly became apparent that the contract workforce makes up many of the people that are employed at oil sands sites. At the request of Industry, Administration met with nine “contractors”<sup>27</sup> to learn more about how their businesses operate and to have the same conversation about opportunities to increase locally based employment.

Like Industry, Administration heard that contractors are having a hard time finding the skilled labour that they need, and that the region does not have a large enough pool of skilled workers. Many of the contractors need highly skilled, highly specialized individuals. These staff are in demand both in Canada and globally. Domestic competition comes from examples such as nuclear turnaround projects in Ontario and natural gas projects in British Columbia. Given the difficult financial times, it will be increasingly difficult to attract and retain these skilled workers.

While many contractors have a steady flow of business with Industry, their contracts can be for defined, relatively short, periods of time (of anywhere from months to up to five years). Whenever contracts are up for renewal, there are no guarantees that they will be renewed. contractor employees may feel challenged to make the significant financial decisions needed to uproot and move their families to the RMWB and to buy or rent homes in the region, where they are given no guarantee beyond short-term employment.

### **Recent conversations with Indigenous partners and community stakeholders**

Along with conversations with Industry, contractors, and lodging providers, Administration has worked with members of our indigenous communities, residents and stakeholders<sup>28</sup> to identify how to incent the FIFO workforce to permanently reside in our region. Following an initial meeting where participants brainstormed ideas aimed at incenting people to move here, sub-groups were created to further identify and refine

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<sup>27</sup> Contractors are the non-employee oil sands workers who provide goods and services to Industry. This could include engineering and technical personnel, pipefitters, welders, etc. who work independently.

<sup>28</sup> Stakeholders include representatives from the builder, developer, tourism, education (Public and Catholic school districts and Keyano), banking, real estate, aviation, small business, social profit and health care sectors along with the Oil Sands Community Alliance and the Wood Buffalo Economic Development Corporation.

ideas and create incentives that could be considered. The sub-groups focused on the following areas:

- Community Support Services
- Transportation
- Housing Strategy
- Indigenous and Rural

The Community Support Services sub-group identified six pillars and incentives/solutions were developed for each pillar. The six pillars are listed below along with the incentives/solutions that have been identified for each pillar:

- External Communications (outside the region)
  - Formation of a community human resources committee
  - Advisory Committee on Aging incentives
  - International Student incentives
  - English as Second Language (ESL) job shadowing
  - Community welcome program development
  - “Unit”, not just an individual, recruitment packages
  - High profile digital/print marketing materials
- Internal Communications (inside the region)
  - Public image campaign
  - Assess results and methodology of CARE project
- Ecosystem
  - Utilization of OSCA survey results
  - Research and identify generational value sets and consider when recruiting
- Multicultural
  - Work with Multicultural Association in a door knocking campaign
  - Highlight and expand multicultural activities
- Social Depth
  - Develop a person version of Communities in Bloom
  - Combine all community calendars
  - Support Social Profits to create a summer series of events geared to families and individuals
- Accessibility
  - Incentives/solutions require additional time to identify

The Transportation sub-group identified short, medium and long-term improvements that require lobbying efforts to the Provincial and Federal Governments and identify potential influencers to assist in this work:

- Designate Fort McMurray as a “Northern Community Zone” (short term)
- Support the Fort McMurray International Airport’s endeavors to utilize special charters and/or existing empty “dead-head” flights as affordable flight options for local travelers (short/medium term)
- Designate a High Occupancy Vehicle (HOV) lane on Highway 63 north of Fort McMurray (short/medium term)
- Support construction of the East Clearwater Highway project, East, North and South sections (long term)

The Housing Strategy sub-group identified Stabilization, Affordability and Branding as three pillars of a resident growth strategy:

- Stabilization will require an analysis of the currently housing-related inventory in the region, including lots, new builds, re-sale, rental, etc. These “supply” elements must then be considered as “demand” factors such as monthly sales and new demand (demographics, transportation, etc.) are further assessed.
- Affordability is impacted by two main factors – housing and land development. Factors related to accessing the housing market (purchasing power, financial incentives) along with inhibitors/facilitators such as the mortgage stress test all impact the availability and pricing of new and existing homes.
- Over the years, the cost of land development in Fort McMurray has been impacted by the Government of Alberta’s (GOA) land-sale practices and policies. Working with the GOA to review and assess disposition practices, along with revisiting previous RMWB efforts regarding land development, are suggestions made that might be done with the goal of reducing the cost of land, and ultimately housing.
- Branding better neighbourhoods that meet market demand is intertwined with stabilization and affordability. Builders need to be responsive to the shifting needs and wants of the specific demographic of the population that is being incented to live in this region.

To best continue the work that is required in these three pillars, the Housing Strategy sub-group recommends the creation of a housing task force to further align the efforts of the region’s strategy for growth in the resident community.

The Indigenous and Rural sub-group spoke of the positive and negative impacts that incenting additional residents to move into the region’s rural communities could have. Population increases would likely bring additional economic opportunities and employment and would help attract some of the private-sector services that some of the communities would like.

However, it was also stated that change such as this will be challenging for some of the rural communities as there is a fine balance between growth and maintaining culture.

There is no consensus within some communities as to whether growth should be pursued.

The Indigenous and Rural sub-group members stated that the question of growth in the rural communities is not an easy one to answer as each community has specific perspectives. Prior to significant efforts being made to grow the rural communities, additional conversations need to occur individually with each rural community to ensure their unique perspectives are considered.

### **Administration's observations**

Conversations with Industry were, overall, generally positive. For some participants, the use of camp accommodations and a FIFO workforce are ingrained in the economics and culture of their work. When challenged by Administration to think differently about how they operate, especially in difficult economic times, most were initially resistant to change but appeared to be more open to change as the conversations progressed.

As Administration began to meet one-on-one with Industry, it quickly became apparent that each company had different perspectives, needs and challenges related to this issue and that a “one size fits all” solution would be difficult to identify. The size, location, finances and organizational culture of each Industry member varies greatly and so does their approach to FIFO. There is a continuum of FIFO response, with one end of the spectrum being companies primarily staffed by local employees; at the other end staffing is predominantly through FIFO.

It was mentioned repeatedly by some of the smaller oil sands producers that they do not have the financial resources of the larger producers. As such, they did not see it as reasonable to expect them to have robust local incentive and relocation packages for their staff. Some companies are experiencing significant financial challenges and are struggling to maintain operations.

It was evident that Industry's workforce could be grouped into many categories. Extraction activity could be classified into either “mining” or “in situ” (e.g. SAGD). In each of these categories, there are two types of workers: employees and contractors. Employees are typically “operations” staff that are responsible for the day-to-day running of the facilities and, in some cases, regular on-going maintenance. Contractors are typically employed by a third party and are brought on-site to conduct specific tasks within a defined period. Administration heard that both types of employees are becoming increasingly difficult to attract and retain and that the nature of their work means that they have different expectations regarding their compensation, hours of work, length of shift, and, subsequently, where they may choose to reside.

All the Industry participants seemed to understand the challenge that Council and Administration face with respect to encouraging full-time residency within the region. They expressed a willingness to continue to work with all levels of the RMWB now and in the future. The companies understood that these were preliminary conversations and

that more work would be required in the future.<sup>29</sup>

## Conclusions

Administration has engaged extensively with many of the region's key players as a direct result of Council's resolutions, particularly in respect of the FIFO workforce and camps. In general, Administration has heard that oil sands companies, lodging providers and contractors within the region understand the housing, population and economic challenges that this region is facing and are willing to work towards making changes to help achieve the goals of the RMWB.

While it was not explicitly mentioned above, financial considerations were a consistent theme, underpinning other matters such as safety, marketing, employee attraction and retention, or most other topics of conversation. Industry, contractors and camp providers continue to feel the effects of a low oil price environment and are continuing to seek efficiencies to reduce their operating costs. The underlying tone of our conversations was that they are willing to work with the RMWB, but that economics will remain a key driver and that safety is a core value.

The initial conversations have gone well; however additional dedicated effort from the RMWB, Industry, contractors and camp providers will be required to induce and encourage their employee and contracted workforce to become more locally based.

Industry, contractors and camp providers all recognize that their success in the region is, to a great extent, married to the success of the RMWB and all its residents. Important commitments have been made by Industry to advance the RMWB's goals. Some changes can be implemented relatively quickly and cost effectively, while others will take more time. In all cases, Industry has stated that the changes the RMWB is hoping to see with respect to the region's population will take time. Some specific commitments that have been made include:

- Continued use of financial incentives where they already exist and renewed efforts to assess whether new/additional incentives can be introduced over time.
- Exploration of a "Park and Ride" system within the RMWB Urban Service Area, including a pilot project in the short term.

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<sup>29</sup> The RMWB found that Industry job postings stated that employment hubs (collection locations for FIFO flights) included places like Edmonton, Calgary, Kelowna, Saskatoon and Bonnyville. These notices made no mention of local RMWB employment or residency being of equal consideration in the hiring. The unintended consequence may have been to discourage local resident applications. When this concern was raised with Industry, they affirmed that while there was no intention to exclude locally based employees, they acknowledged that it did give that impression. Industry partners committed to changing this practice to ensure that it explicitly states that residents from within the RMWB are job eligible. Administration will continue to monitor Industry job postings to assess the employment messaging and will work directly with individual producers to encourage and support local hiring.

- Hiring and procurement practices that provide advantages to residents and businesses.
- Explicitly stating in job postings that residents are able and encouraged to apply for new jobs as they become available.
- Working closely with Keyano College to help develop training and apprenticeship programs that support the current and future employee needs of Industry.
- Encouraging continued use of the Fort McMurray International Airport.
- Joint lobbying efforts to the provincial and federal government regarding necessary infrastructure improvements, particularly with respect to twinning Highway 63 north of Syncrude/Mildred Lake.
- Further conversations individually and collectively as part of OSCA.
- Continued community investment and support.
- Additional data and information sharing regarding Industry's workforce.

In order to ensure that as Industry, contractors and the camp providers make changes to the way that they operate and work towards fulfilling the specific commitments that they have made, continued and regular reporting and monitoring is crucial to assess whether the RMWB's goals are being achieved. This reporting and monitoring must be publicly shared and available to allow residents of the RMWB to understand the efforts that are being made to promote local employment and the successes and challenges that occur as a result. A key conclusion from these efforts is that there is a general lack of understanding of Industry's efforts to hire locally in the region and the rationale as to why a FIFO and camp-based workforce remains necessary in many cases.

Regular reporting will be extremely important to identify both successes and where changes need to occur. Administration will play a key role in providing comprehensive updates to Council and will rely on the support of all the involved parties, especially Industry, to ensure the timely sharing of information.

As the goal of increasing Industry's use of a locally based workforce is a collaborative effort, the RMWB must rely upon the continued collaboration by Industry and other stakeholders, specifically:

- Industry:
  - To further educate the partners, stakeholders and residents of this region on how Industry might further encourage employees to live, work and play in the region. This includes, but is not limited to, actions such as town halls, job fairs, and job postings. Industry would be encouraged to routinely share their

key indicators with the RMWB, including Industry data on number of locally based employees.

- To continue to work with Administration to seek win-win solutions on how it can reduce its use of the FIFO workforce and, where possible, operations-based camps.
- To continue to use its existing incentive programs and partnering with the RMWB on new programs that incent a local workforce.
- To help market the region to its existing employees and new hires as a vibrant, sustainable place they can call home.
- Where possible, to encourage its contractors to have their employees live in the region's communities.
- Wood Buffalo Economic Development Corporation:
  - To continue to build a set of regional marketing and attraction materials, including a strategy, to promote the region alongside Industry, contractors, camp providers, businesses and organizations, and individual residents.
- Keyano College:
  - To work with Industry to prepare course offerings that respond to expected Industry employment needs to increase the pool of locally based employees that have the skills and experience to support the continued development of the oil sands

### **Budget/Financial Implications:**

Depending on the outcome of the findings and recommendations of this report, Administration may require additional resources to complete the recommended tasks.

### **Rationale for Recommendation:**

The FIFO response to delivering workforce to the oilsands project sites and the associated project accommodation were Industry answers that first commenced about 20 years ago. Their use has continued, relatively unabated, since. Their use became an integral part of most all oil sands operations. It has been a long and clearly defined objective of the RMWB, as articulated in the approval of the MDP in 2011, to move from a FIFO-based work force (particularly for “operations” facilities) to a more locally based workforce. This initiative has not been actively embraced by Industry, leading to Council's most recent motions.

The recommendations in this report, in particular, the changes proposed to the LUB, will increase the likelihood of the approved MDP directions and objectives being implemented.

**Strategic Priorities:**

Regional Economic Development

**Attachments:**

- 1. Presentation - Summary of Fly-in Fly-out Conversations (February-May 2019)**
- 2. Presentation - Housing Strategy Sub-Committee**
- 3. Presentation - Transportation Sub-Committee**
- 4. Presentation - Community Support Services Sub-Committee**
- 5. Letters from Industry re. fly-in fly-out and camp accommodations**