

September 2009 Lament:

Well although we thought so, the end of the world did not happen, even though lots of us Chicken Littles were running around saying “the sky is falling, the sky is falling” ....

Lots of power engineers thought that the end of the good times and good money was never going to end and that they could see retirement at 40 or 45 as they had so much money coming in, real estate was going through the roof and times were GOOD.

I told lots of the young guys, remember please that I am old(er) and have seen the good times come and go. Because there are good times now, this is a boom and bust business, and busts will return.... I lost my first fortune in real estate in Alberta in the early 80's when gas prices doubled and 13% interest became “cheap”, where you could buy a nice (repossessed house, duplex, four plex, apartment building) for a dollar, if you had the cash and the security, as the banks want to collect mortgages (paper) not real estate (land and buildings). PS The return on bank foreclosure (to the banks) is in the 40 - 50% range and they would rather someone take it over for the payments if they can find someone who qualified and would make his/her payments.

I must admit that I had second thoughts a few times (I wish I had better foresight instead of perfect hind sight). We thought around the office that the shortage of First and Seconds and the cycle was likely due to turn around and shrink, but surely not **implode**, as it did. This slow down or balancing out of the shortage of senior experienced power engineers is, I think, likely due to several causes (my theory is):

1. **Stock Market woes**: The rapid fall in the market left a lot of us of retirement age (55+) with that feeling that maybe we should hold off on retiring till the old RRSP looked a little less red.
2. **Contract PE's returning to full time**: LCS had twenty-eight contractors working in the field in the fall of 2008, when the slow down hit, and the heavy oil industry took a big slow down. We dropped down to about 5% of that number at our low. Of the contractors leaving the contracting field at LCS, about 19 of them took full time positions (someone has to pay the mortgage and keep the kids in school). This has had a drastic effect and caused a radical decline in the number of openings in the full time recruitment part of our business.
3. **New plant start-ups**: Slowing down of commissioning and start-up work as the planned plants completed and the proposed plants went to, TBD (to be decided), instead of being included in the next year or two building cycle.
4. **Amalgamations**: Like the Suncor / Petro-Canada deal. Both companies had rapid expansion plans in play for both heavy oil and upgraders. Once the deal was announced both companies pulled back and put their proposed or partially constructed projects on hold, since they needed to see where their income (crude price) and investments should go.
5. **Shelved Projects**: The biggest being Imperial Oils Kearl Lake Project. An estimated eight billion \$ and lots of manpower needed. Since the manpower both for construction and operations were in a hopeless state, driving both costs and plans into the ground.