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OILSANDS DELIVER ECONOMIC SHELTER

Living in northern Alberta best protection from recession's fallout, experts tell council

Northern Alberta is the best place in North America to weather an economic storm that's likely to be worse than originally forecast, University of Alberta dean of business Michael Percy says.

"When I look down the road, it's going to be grimmer than I thought it would be for the next year, year and-a-half. This is going to be an intense downturn," he told city council on Tuesday.

However, Percy said, "There's no better jurisdiction to be located in than Alberta," particularly north of Red Deer, because he still expects companies to pump money into oilsands projects as prices improve.

"At the end of the day, so many fundamentals are positive in the case of Alberta, the best strategy is to treat this as short-term."

Percy was one of five local experts brought in for an unprecedented briefing of councillors on where the economy is headed and what the city should do.

While ATB Financial senior economist Todd Hirsch said this year and probably 2010 are going to be tough in Edmonton, this is part of our normal economic cycle, unlike the "synchronized global meltdown" happening in the rest of the world.

Alberta's 4.4-per-cent unemployment rate is still far lower than the 12-per-cent jobless levels reached during the 1980s, he said.

The current "hiccup" could start to improve by mid-2010, when oil at \$70 US a barrel will spur two oilsands developments, National Bank Financial investment adviser Angus Watt said. "We will get a lot more business, maybe not head offices ... because we have the size and efficiency and productivity. We're back to being the gateway to the North."

In the meantime, the panelists, who also included Melcor Developments Ltd. president Ralph Young, said falling costs and rock-bottom interest rates make this a good time for Edmonton to catch up on infrastructure construction,

Clark Builders founder Andy Clark said his company is running 30 projects right now, but by the end of the year, they only have 10 scheduled.

Following several years in the middle of the decade when annual construction inflation rose by more than 20 per cent, Clark expects contractors to become more efficient and slash prices by up to 25 per cent so they can win jobs.

"I think you're going to see some pretty hungry builders out there in six months, 12 months ... For the next few years, it's going to be very much a buyer's market rather than a seller's market."

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