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OIL SANDS MINING FUTURE BRIGHT, SAYS EARTHMOVING CONTRACTOR

A company that specializes in civil construction on oil sands mining projects says it is confident its customers will continue to build despite the steep and sudden decline in world oil prices of the past six months.

However, president and chief executive Martin Ferron also pointed out that Edmonton-based North American Energy Partners Inc. is under pressure by customers who have asked it to find ways to reduce its fees.

And he reported that Calgary oil sands producer Canadian Natural Resources Ltd. took over its overburden removal contract at its Horizon oil sands mine last month, buying its equipment for a net $36.3 million but removing an estimated $80 million per year (at 12 per cent profit margin) in future revenue.

“With the recent significant decline in the price of oil, the very viability of oil sands mining seemed to come into question,” said Ferron on a conference call Wednesday.

“However, our customers’ reaction to this challenging situation should reduce those concerns. They have clearly demonstrated they are committed to their oil sands mining projects.”

The Canadian Natural move was allowed under its agreement with North American, said CNRL spokeswoman Julie Woo in an e-mail, refusing further comment. Last month, Canadian Natural reduced its 2015 capital budget by $2.4 billion.

Ferron said the companies are still negotiating about the labour part of the contract.

Mining projects have lives of 40 years or more and are planned for years, making cancellations due to short-term commodity price fluctuations impractical, he pointed out. He added the low value of the Canadian dollar is helping producers who sell their oil in U.S. dollars.

Ferron said the commitment of partners Suncor Energy Inc., Total E&P Canada and Teck Resources Ltd. to their $13.5-billion Fort Hills oil sands mine is particularly heartening. First oil is expected in 2017, eventually ramping up to 180,000 barrels per day.

North American has been “trying to be part of the solution” for customers who have been in cost-cutting mode for 30 months, said Ferron, adding it is passing on cost savings it is seeing due to reduced activity in the Fort McMurray area.

The company said revenue in 2014 was $472 million, little changed from $470 million in 2013, and its gross profit was $51 million, up from $46 million, as its gross profit margin jumped to 10.9 per cent from 9.7 per cent.

It recorded a net loss from continuing operations of about $700,000 in 2014, compared with a loss of $18 million in 2013.

Analyst Maxim Sytchev of Dundee Capital Markets said in a note that North American’s adjusted earnings in the fourth quarter beat consensus but were behind his estimates.

“Oil sands mining projects are not going anywhere given the cash operating costs in $30-$45 per barrel range,” he wrote.

“Sentiment is very poor but we believe we are going to end up with higher WTI at year-end versus now, abating some of the concerns while also highlighting that existing oil sands mining operations continue to produce. NOA has the balance sheet and the management team to muddle through during the lull.”

The company’s stock closed at $3.79, down six cents on Wednesday. It has varied between $3.20 and $9.22 in the past year.

BRITISH COLUMBIA TO CUT BOND SALES ON THIRD STRAIGHT SURPLUS

British Columbia will reduce bond sales 9.4 percent in the coming fiscal year as it forecasts a third straight budget surplus and seeks to preserve its credit rating.

Canada’s westernmost province plans to sell $4.8 billion of bonds in the year starting April 1, down from an estimated $5.3 billion in the year ending next month, according to the government’s budget released Tuesday by Finance Minister Michael de Jong.

“Borrowed money needs to be repaid, and the forecast surpluses I have announced today provide us the means to make significant progress in repaying the debt,” de Jong said in the provincial legislature in Victoria.

De Jong is under pressure to contain growth in borrowing as a proportion of British Columbia’s economy to help preserve the province’s top-tier AAA credit rating. Moody’s Investors Service, which has a negative outlook on British Columbia, said in November that the province wasn’t making enough headway in taming its debt to rule out a rating cut.

“British Columbia is managing its books, including the accumulation of debt, with an eye on the credit rating agencies for sure,” Jock Finlayson, chief policy officer of the Business Council of British Columbia, said in an interview. “It’s a top priority for the finance minister and the premier.”

The projected drop in bond sales will help trim taxpayer- supported debt, which excludes commercially run government companies, to 17.4 percent of the economy in the coming fiscal year and 16.6 percent in 2017-18, down from 17.7 percent in the current one, De Jong said.

That ratio compares with 40 percent in Ontario, the country’s most-populous province, 54 percent for Quebec and 32 percent for the Canadian government, according to budget documents.

De Jong forecasts the economy of Canada’s third-most populous province to expand at least 2.3 percent annually in the next three years, following a 2.2 percent expansion last year, buoyed by low interest rates, a weak Canadian dollar, increasing trade with a recovering U.S. economy, lower energy costs and "robust" international immigration.

The Bank of Canada expects the country's economy will see 2.1 percent growth this year. The central bank forecasts 2.4 percent growth next year.

"We are enjoying the benefits of some increased taxation revenue, both personal income tax and corporate income tax," the minister said.

British Columbia's surplus in the current year will be $879 million, almost double the $444 million forecast in November, de Jong said. The budget, which anticipates a $284 million surplus in the coming fiscal year, envisages surpluses into 2017-18.

The province's total debt is forecast to rise to $70.4 billion by 2017-18, from $63.8 billion this fiscal year, according to the budget.

"They're still being prudent on their capital spending and their revenue forecasts look conservative," Bryan Yu, a Vancouver-based senior economist at Central 1 Credit Union, said by phone. "I expect the debt will be quite manageable."

The province's three-year budget outlook doesn't contain any incremental revenue from the planned development of a liquefied natural gas industry in British Columbia.

Companies such as Malaysia's Petroliam National Bhd. and Royal Dutch Shell Plc have proposed 19 LNG export plants for Canada's Pacific Coast, though no major developer has yet made a final decision to proceed.

The province is still targeting having three LNG plants in operation by 2020, according to a government website.

"We remain optimistic, but what we won't do is make budgetary assumptions until that first final investment decision has been taken," de Jong said in the legislature.

After selling $4.8 billion of bonds in the coming fiscal year, the province plans to issue $4.4 billion of debt in 2016-2017 and $4.6 billion in 2017-18, according to a Finance Ministry official.

Annual government spending growth in British Columbia will average 2.5 percent over the next three years in the fiscal plan, while revenue will expand by 2.7 percent a year, budget documents show. In the year beginning in April, the government anticipates revenue of $46.4 billion and expenses of $45.5 billion.

BERKSHIRE HATHAWAY SELLS EXXON STAKE BUT BUYS MORE SUNCOR AND IBM

Calgary-based Suncor and Tim Hortons owner among the names Buffett was buying

The world's most famous investor sold almost $4 billion US in shares in America's largest oil company late last year, but increased his stake in Canada's Suncor by four million shares, making the Calgary-based oil giant his largest single energy holding.

Warren Buffett's Berkshire Hathaway Inc. revealed in regulatory filings Wednesday that the company sold off its roughly 41 million shares of Exxon Corp. in the fourth quarter of 2014, when oil prices were cratering.

Buffett, whose strategy typically involves buying and holding stocks for years, if not decades, had only held the Exxon stake since the fall of 2013. Filings reveal he sold the entire stake to pocket some $3.9 billion some time during the fourth quarter of 2014.

Exxon wasn't the only U.S. oil giant that failed to maintain Buffett's interest. Berkshire also divested a smaller stake, about a half a million shares in ConocoPhillips during the quarter.

But that's not to say that the Oracle of Omaha had soured on oil companies overall. Berkshire actually increased its stake in Calgary's Suncor, by about four million shares during the period. Buffett now owns 22 million shares in Suncor. At current prices, that's worth about $864 million Cdn.

Buffett made his first investment in Suncor in the fall of 2013, the same year he bought into Exxon.

Buffett also doubled down on another favourite of his, IBM. Berkshire added to its stake in IBM during the period by buying up 6.5 million shares in the last three months of 2014. Buffett has owned a piece of IBM for years and keeps adding to it. The stake is now up to 77 million shares, worth some $12.4 billion US.

He also more than doubled his stake in industrial equipment maker Deere & Co. to 17 million shares.

Buffett's moves showed more indirect love for Canada as his company bought more than eight million shares of Restaurant Brands International during the quarter — the parent company of Burger King that bought Canada's Tim Hortons in a $20 billion deal late last year.

Outside of the names listed above, Berkshire increased its holdings in Charter Communications Inc., DaVita Healthcare Partners Inc., DirecTV, Liberty Global plc, MasterCard Inc., Phillips 66, Precision Castparts Corp., Twenty-First Century Fox Inc. Viacom Inc. and Visa Inc.

During the fourth quarter, Berkshire decreased its investments in National Oilwell Varco Inc. and Bank of New York Mellon Corp.

Investors keep a close eye on Berkshire's buying and selling, because even though the trades are only revealed well after the fact, many investors like to mimic the moves to try to keep up with Buffett's gains. Indeed, the Securities & Exchange Commission routinely grants Berkshire special permission to disclose its trades well after the fact, in order to discourage copycats.

Berkshire Hathaway shares gained 24 per cent last year.

19-Feb-15				
	Active	Down	Total	% Active
		Western Canada		
AB	218	322	540	40%
SK	46	92	138	33%
BC	51	27	78	65%
MB	7	10	17	41%
WC Total	**322**	**451**	**773**	**42%**
		Eastern Canada		
QC	1	-	1	100%
Canada	**323**	**451**	**774**	**42%**