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Weekender

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NEW IMMIGRATION RULES THREATEN CANADA'S COMPETITIVENESS

Immigration is vitally important to every nation looking to improve its competitive standing in today's global economy. The challenge is making sure the right programs are in place to attract the brightest and the best.

In British Columbia the stakes are high. We expect more than a million new job openings between now and 2022, including 985,000 from economic activity already confirmed or planned. In addition, we can count on another 100,000 jobs from the expected LNG activity. Over one third of those workers will be migrants, and 78 per cent of jobs will require a college degree or higher.

And while this anticipated job growth presents a huge opportunity for Canada to attract and retain high skilled labour, it will likely be wasted thanks to the overhaul of the Temporary Foreign Worker Program in 2014 and the significant restrictions of the new Express Entry system. These changes are already creating havoc and uncertainty for thousands of highly skilled workers and executives employed by some of Canada's top employers seeking permanent residency.

While the federal government is promoting Canada to the world, aggressively negotiating free trade agreements, which include contemporary rules to facilitate greater mobility of workers, at the same time its invoking immigration reforms that make it ever more difficult for highly skilled workers admitted under these programs to remain in Canada

The Express Entry system is intended to provide expedited permanent residency to highly skilled workers. While we applaud the general direction, there are significant concerns emerging as program details become clearer.

ENCANA CORP RAISING UP TO $1.25 BILLION IN BOUGHT DEAL TO CUSHION BLOW OF LOW OIL AND GAS PRICES

Encana Corp. said Wednesday it would raise $1.25 billion in a bought deal offering to strengthen its balance sheet, contributing to a flurry of equity financings in the oil

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patch amid depressed oil prices and opportunities to purchase distressed assets at bargain prices.

The oil and gas company's offering comes on the heels of oil sands producer Cenovus Energy Inc. closing a $1.5-billion bought deal Tuesday that struggled to find buyers. Cenovus said it needed the capital to fund its capital program.

Also on Wednesday, Secure Energy Services Inc. announced a $140-million bought deal to fund its programs and potential acquisitions, while ARC Resources Ltd. raised $350-million in a bought deal in January to reduce debt, increase working capital and fund its programs.

The equity offerings come as oil prices bounce around US$50 a barrel, squeezing cashflows but also providing opportunities for acquisitions at what could be the low point in the oil price cycle.

The equity offerings have more to do with companies wanting to strengthen their cash positions in uncertain times than demand for their equity, said Sonny Mottahed, CEO and managing partner of Black Spruce Merchant Capital in Calgary.

"In the case of Encana, they were probably running far too low on cash for a company their size," he said, though the offering could also represent "a bit of a war chest to allow them to do acquisitions."

In a statement, Encana said it would use the proceeds to provide additional financial flexibility by reducing its long-term debt and interest expense.

The Calgary-based oil and gas producer said it would sell 85,616,500 common shares at $14.60 a share in a deal led by RBC Capital Markets, Credit Suisse and Scotiabank that will be re-sold to the market.

The company granted the underwriters an option to purchase up to 12,842,475 million additional shares that could increase proceeds to about $1.44 billion.

The shares are being sold at a discount to the market price. Encana shares closed at $15.20 in Toronto Wednesday, down 47¢ or 3%.

Encana CEO Doug Suttles said last week that he was ready to do more deals, even as the company cut capital spending by a further US$700-million in 2015, to about US$2-billion to US$2.2-billion, to cope with low oil prices.

"In my experience and knowledge of the history of the industry, the low points in the commodity cycles are usually the most exciting times," he said. "And I can tell you we are prepared to respond if the right opportunities come along."

At the time, he said the company had plenty of cash and liquidity on hand to fund tactical or even strategic moves.

In a research report Wednesday, consultancy Wood Mackenzie predicted Brent oil prices would strengthen to US$68 a barrel by December and average US$71 a barrel in 2017.

Encana said it would use the proceeds and cash on hand to redeem all of its US$700 million aggregate principal amount of 5.90% Notes due 2017 and all of its $750 million aggregate principal amount of 5.80% Medium Term Notes (Series 4) due in 2018.

BEAR MARKET MEANS BAD NEWS FOR BELEAGUERED OILFIELD SERVICES SECTOR

As oilfield services companies bear the brunt of the collapse in oil prices they've also emerged as primary bearers of bad news in the industry.

Drillers, frackers and myriad other companies that do the bulk of the work on the ground in the oilpatch have moved aggressively this year to lower spending, reduce staff levels and roll back wages for their remaining staff to address a steep fall off in capital budgets from oil and gas producers.

Savanna Energy became the latest Calgary-based service company to announce reductions to its capital spending Tuesday when it cancelled construction of four technically advanced drilling rigs for an Australian customer after signing the agreement late last year.

Savanna also revealed it closed two field offices and is selling others as it evaluates all expenditures "in light of further changes to anticipated activity levels as 2015 unfolds."

A day earlier, CanElson Drilling revealed it would reduce capital spending in 2015 by 70 per cent, cut its dividend in half and lower compensation for executives by 20 per cent after cautioning "the extent of the downturn and the timing of an eventual recovery is uncertain."

Savanna releases its year-end financial results Wednesday but already parted ways with longtime chief executive Ken Mullen last month as it share price plunged in conjunction with the price of oil in the past nine months. Trinidad Drilling also reports today but announced two weeks ago it would chop one in five jobs, cut its capital spending by half and reduce wages throughout the company.

Calfrac Well Services and Trican Well Service announced cuts to staff and salaries last week. Earlier in February, oilfield environmental services firm Newalta laid off about 15 per cent of its staff.

In a sector operating with a mindset that fluctuates between "bare bones" and "survival mode, "a wage and hiring freeze represents a best-case scenario.

The number of active drilling rigs in Canada declined to 262 this week, or 34 per cent of the fleet, compared with 554 rigs active this week last year. The industry estimates each working rig creates 135 jobs at the well site, in the industry and in surrounding communities.

The Canadian Association of Oilwell Drilling Contractors is predicting as few as 6,600 wells will be completed in 2015 compared with close to 11,000 last year. The downturn translates into 23,000 fewer jobs in the sector than a year ago.

The forecast is based on West Texas Intermediate crude averaging $55 US a barrel this year.

Troubled pressure-pumping

company GasFrac Energy Services called it quits Tuesday when it agreed to a sale to an unnamed service sector company after filing for court protection from creditors in January. GasFrac said last fall it had been hurt by "continuing negative operating results" amid reduced industry activity due to low oil and natural gas prices.

The issues for the services sector in Canada mirror the challenges in the industry worldwide.

The five biggest global oilfield services companies — Schlumberger, Halliburton, Baker Hughes, National Oilwell Varco and Weatherford International — have scaled back operations to deal with a more than 50 per cent decline in crude oil prices since last June.

Halliburton is in the midst of a $34-billion takeover of Baker Hughes to create the world's largest oilfield services company.

"A primary reason that oilfield services companies have been so successful is their record of innovation," said a study released last week by industry consultants PWC and Strategy&.

"To survive this growing financial turmoil, (oilfield services) companies will need to creatively pull a number of strategic levers that include more innovative risk-sharing contracts, restructuring internal costs, integrating complex service offerings, and a more coherent framework for reviewing their asset portfolio with the goal of divesting non-core assets."

Executives with Canada's oilfield service companies have earned praise for taking pay cuts in an effort to lead by example in tough times but the PWC-Strategy& study, titled "Surviving the Worst," suggests short-term austerity won't resolve the structural issues facing the once-thriving sector.

With the volume of oil in storage in the U. S. at its highest level in 80 years and approaching capacity limits, there is increased speculation crude prices could plummet again in the coming months. On Tuesday, WTI rose 74 cents to $50.33 US a barrel.

The fracking boom over the last decade has shown oilfield services companies to be innovative and ambitious; the oil glut that resulted is now testing their resiliency.

TPPA PROTESTS

Opposition to the Trans Pacific Partnership Agreement will again see people on the streets of Wellington and 21 other towns and cities.

"The potential selling out of our nation's sovereignty by signing up to the TPPA is bringing increasing numbers of people onto the streets in protest", says Wellington TPPA protest coordinator John Maynard. The theme of the nationwide protest this weekend is "TPPA: No Deal!" Wellington City Councilor Sarah Free, NZ Council of Trade Unions secretary Sam Huggard and medical and health sector representative Dr Gay Keating will be among the speakers at the protest starting 1pm at Lambton Quay's Midland Park and marching to Parliament.

The TPPA will give foreign investors wanting to protect their profits the power to sue the New Zealand Government in secretive international tribunals outside our own laws and courts. The Investor State Disputes Settlement provisions of the TPPA will be a focus of the Wellington protest on Saturday.

While John Key likes to promote how clean New Zealand rivers are, would he be able to stop any attempt to frack for oil under the Waikato River? The Canadian Government is being sued for $125 million dollars by US company Lone Pine after the Government put a 12 month moratorium on fracking under the St Lawrence River.

While we are told that secrecy is necessary during the negotiation process 600 US corporate lobbyists are given access to drafts of the agreement that the rest of us - including Parliamentarians - are not allowed to see. The TPPA is clearly addressing the interests of large international companies against the interests of the citizens and the democratic process.

Trade Ministers of the TPPA countries are to meet in April to try to finalize a deal that needs agreement by mid-year for the TPPA to pass during US President Obama's presidency. There is huge pressure to make dangerous compromises in order to end the negotiations.

5-Mar-15				
	Active	Down	Total	% Active
		Western Canada		
AB	153	379	532	29%
SK	43	95	138	31%
BC	48	31	79	61%
MB	7	9	16	44%
WC Total	**251**	**514**	**765**	**33%**
		Eastern Canada		
QC		1	1	0%
Canada	**251**	**515**	**766**	**33%**