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STIMULUS OR RESTRAINT? EXECUTIVES DIVIDED ON ECONOMIC FIX

A growing proportion of Canadian executives think the economy is in trouble, but they are torn over what a new government should do about it after the federal election.

The latest quarterly C-Suite survey shows that corporate executives are more discouraged about the economic outlook than they have been since the midst of the recession seven years ago. More than half think the economy will decline in the next year, the first time since November, 2008, that a majority have felt that way.

Just three months earlier, two-thirds thought the Canadian economy was bound for expansion.

But the executive suite is split on what the federal government needs to do to get the economic wheels back in motion. Forty-six per cent want stimulus, while 48 per cent say Ottawa should focus on restraining spending to ensure a balanced budget.

Those two opposing views are increasingly coming into focus in the election campaign as the Liberals promise spending on infrastructure – and a few years of deficits – while the New Democratic Party and Conservatives vow to keep the budget balanced.

"My view is to stay with restraint and let the economy take care of itself," said Paul Baay, chief executive officer of Touchstone Exploration Inc., an oil and gas firm based in Calgary. "Any time the government gets involved, it tends to swing the pendulum too far one way or the other."

It is too early for the low Canadian dollar to have generated many gains in manufacturing, but "those are around the corner," Mr. Baay said. "Sitting in my corner office in downtown Calgary, it feels like doom and gloom, but you don't have to travel very far to Vancouver or Toronto, and there seems to be a fairly positive feel, that there are a lot of things going on outside the energy sector."

Indeed, the C-Suite survey shows a sharp geographical divide, with almost 70 per cent of executives based in Alberta saying they believe the economy is currently in a recession, while just more than 40 per cent of those based in the rest of the country think that's the case.

Mr. Baay said he fully supported the government's intervention to stimulate the economy in 2008 and 2009, because that was a much broader downturn, but now the problem is a commodity issue "and I'm not sure the government can fight commodities."

John Simmons, CEO of solar lighting firm Carmanah Technologies Corp. in Victoria, said he is concerned that deficit spending, when combined with the loss of energy revenue, could "dig quite a hole" in public finances that will be tough to reverse.

He said he is okay with "modest deficits from time to time" if they are matched with the same number of surpluses, but that scenario doesn't seem to happen very often.

On the other side of the debate, Capstone Infrastructure Corp. CEO Michael Bernstein said he is in favour of deficit spending, as long as it pumps money into projects that increase productivity or provide a long-term benefit to society.

These projects should have a long-term payback, he said, and could include transit infrastructure, for example, or educational research facilities.

Still, he said, this would not mean the same kind of deep deficit spending that was necessary in 2007 and 2008, when "you had a patient having a heart attack and you had to give it a jolt."

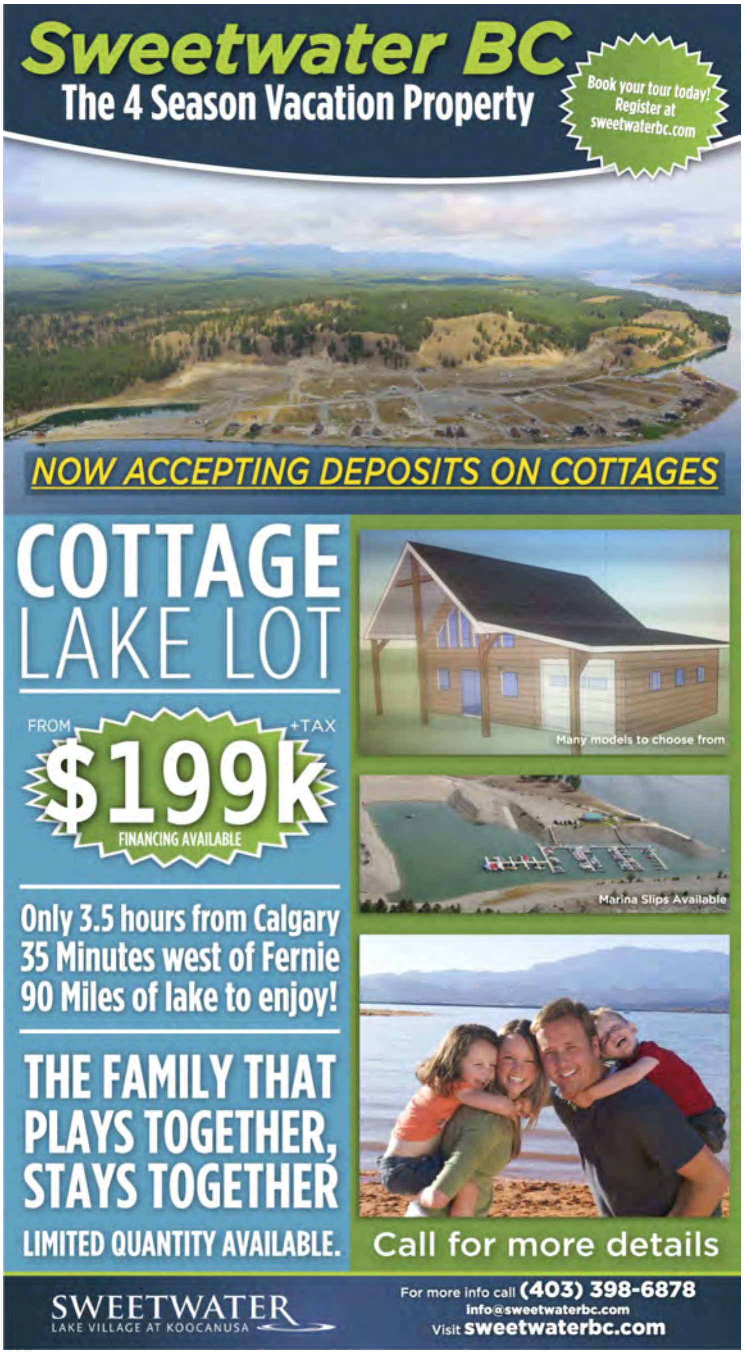
In contrast to the C-suite's generally discouraging view of the Canadian economy, a large majority of executives think the U.S. economy is set for a year of expansion. More than 90-per-cent predict growth south of the border in the next 12 months.

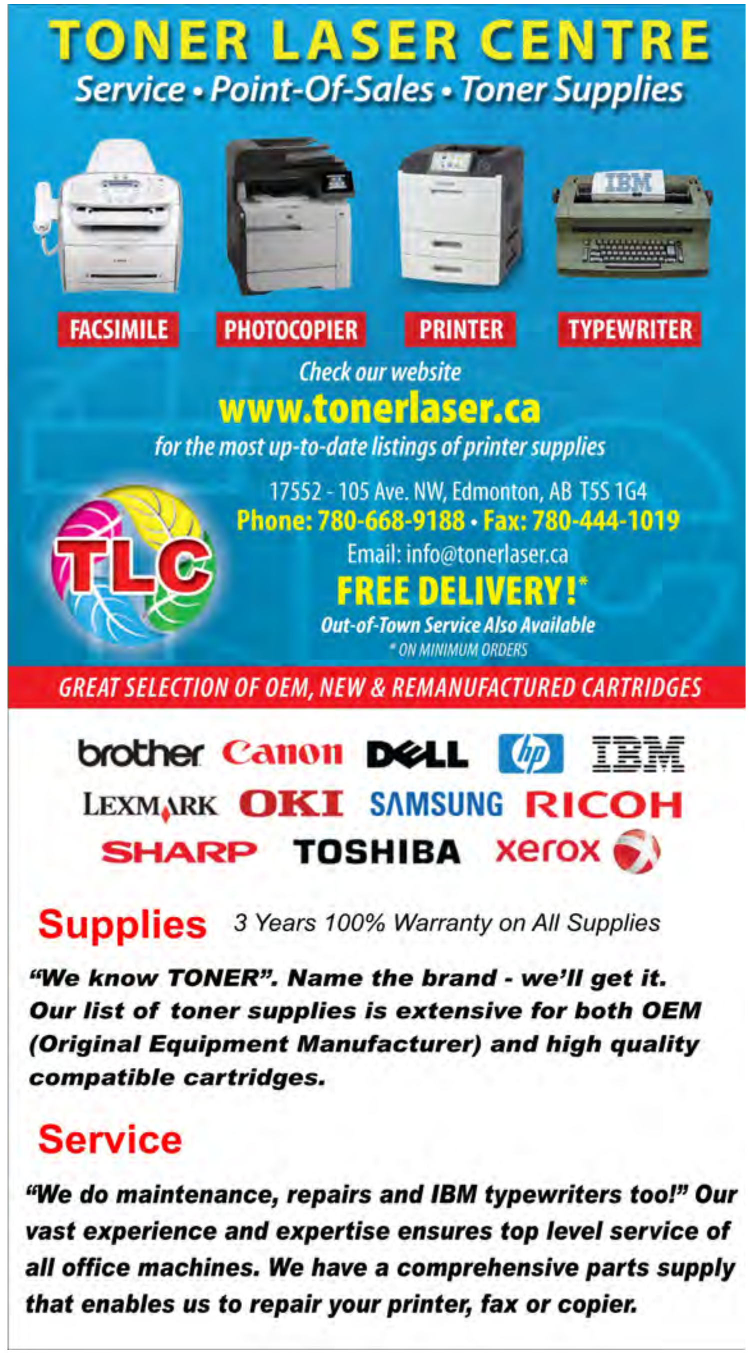
Despite Prime Minister Stephen Harper's claims that only the oil patch is in recession, a majority of Canadian executives – 56 per cent – say the contraction is not exclusively in the energy sector.

"We're spluttering along. We are not in great shape," said Rupert Duchesne, group chief executive of Montreal-based Aimia Inc., the company that runs the Aeroplan points system and other international loyalty programs.

Mr. Duchesne said his firm deals mainly with relatively well-off households all across the country, and "they appear to have pulled their horns in." That suggests the overall economy "has caught a confidence cold," he said, and has declined "compared to what it was a year or two ago."

Mr. Duchesne said he is in the group that feels the economy does need some stimulus, especially in areas that create and sustain employment. That would include infrastructure projects and aid for industrial development. Moderate deficits that might be generated by putting money into "deep stimulus" should not be a problem for the country, he said.





Whatever party wins the election, he added, "we've got to put aside some of the ideology and really think about how to get the country back on its feet."

Willy Kruh, global chair of consumer markets at auditor and tax consultants KPMG, said the divide among executives when it comes to stimulus versus restraint is a reflection of confusion about the state of the economy. What they are seeing "is some smattering of good news among the doom and gloom," he said.

Some executives who believe in restraint may also have been influenced by years of deficits where they felt the money was not spent wisely, Mr. Kruh said. If they had a better idea of where the funds would go, there might be greater support for deficit spending, he said.

The quarterly C-Suite survey was conducted for Report on Business and Business News Network by the Gandalf Group, and sponsored by KPMG. The survey interviewed 152 executives between Aug. 24 and Sept. 18, 2015.

Respondents represent ROB 1,000 companies from across Canada in the manufacturing, service and resource sectors.

FRACKING SAND FACILITY APPROVED

Work can begin on facility, despite reservations of two councilors

A developer seeking to build a fracking sand unloading facility just blocks from downtown Dawson Creek has the go-ahead from the city council.

Council officially approved the fracking sand facility at its Sept. 28 meeting, marking the end of nearly a year of rumours and heated public hearings about the development.

The transload facility will unload silica fracking sand from rail cars, which would then be transported by truck to sites in the oil patch. Silica is used as a "proppant" in fracking operations to hold open well bores.

The project has been controversial with nearby homeowners and businesses. The facility's biggest critic has been Doug Scott, a local investor who manages a nearby apartment building. Critics worry about the industrial facility's location and the potential health impacts of exposure to silica dust. Proponent Darryl Wiebe maintains the facility is safe, saying it will use state-of-the-art filtration systems to minimize any risk to the public.

Two councillors voted against the proposal Monday, though it was supported by a majority.

"I still don't like the location," Coun. Terry McFadyen said. "I find it hard to believe the proponent and CN rail couldn't find a more suitable location."

Coun. Charlie Parslow also voted against the motion.

Coun. Shaely Wilbur supported the development, saying fracking sand facilities are permitted under the current zoning.

"We're looking at a development permit, it fits the zoning," she said. "Anything beyond that scope I don't think should be part of the discussion. They've applied, they've gone through the procedures to get here, so I will be voting in favour of it."

Wiebe said earlier that construction

on the site, between 8th and 15th streets, would begin sometime this fall.

SUMMER DRIVING SEASON IS OVER, SO WILL GAS PRICES GO DOWN?

Oil prices are expected to be weak through the fall, but not much relief is expected for drivers

Every May we are warned to brace ourselves for higher gasoline prices as the summer driving season begins. There were points this past summer when a litre of gasoline cost only a few cents less than in the summer of 2014, even though crude oil was half the price.

With our summer road-trips now in the rear-view mirror, what's next for pump prices?

Fall usually means some relief at the gasoline pumps. Demand is lower and refineries begin to blend less-expensive winter gasoline.

However, there's not much hope that this fall will follow the well-worn path of lower gasoline prices. As of Sept. 15, that winter gas has gone on sale, and the summer driving demand has fallen off, but prices at the pumps have dropped just a penny a litre on average.

The gasoline market has been a tricky one to follow over the 16 months since oil prices began to drop. The price of a litre of gasoline bottomed out at 91 cents a litre the week of Jan. 13, 2015, when oil was $46 US a barrel and the Canadian dollar was still 83 cents US.

Since then, oil has traded up in the $60s, down in the $30s, and gasoline markets have sometimes paid close attention to the price of crude and at other times, seemed to completely ignore it.

The swing factor over the past several months has been the refining industry. Refineries have seen their take from a litre of gasoline increase from 12 cents the week that gasoline prices hit bottom in Canada to nearly 30 cents a litre in July, when Natural Resources Canada stopped releasing its weekly fuel report because of the election.

The money has been so good in refining that there's been a reluctance to do semi-annual maintenance, but that maintenance is about to start in earnest in October. Lower demand for crude oil feedstock will likely drag oil prices down further, but will not ease gasoline prices.

"The lower crude prices go, the more panicked oil companies get," said Roger McKnight, a senior petroleum analyst with En-Pro.

"They try to save their upstream (exploration) bottom line, by putting it to the downstream part of the company, which is refining and marketing."

This is also the time of year when the amount of oil in storage starts to increase, as refineries slow down. Storage at the Gulf Coast was already at record highs last week, storage at Cushing, Okla., has been slowly draining, but is still at nearly 70 per cent capacity.

The investment bank Altacorp Capital said 669,000 barrels per day of refining capacity in the U.S. Midwest will be offline in October. That oil will likely end up in storage containers at Cushing, raising questions as to whether tanks will fill. Canada sends approximately 2.1 million barrels of crude oil a day to the U.S. Midwest.

"In times like we are now when storage is more full in North America that it historically has been, that makes a bad situation worse," said Rob Mark, an energy analyst with 3Macs.

"Could we have weak prices and ugly inventory levels in the third quarter? Absolutely, I'd be surprised if we didn't."

The question is whether those weaker prices will flow through to the pump. With the information blackout at Natural Resources Canada, it's not clear where refining margins are right now.

But even if we did have that information, it's nearly impossible to trace the wholesale price of gasoline back to the price of the crude oil feedstock that goes into the refineries in the first place.

"The only information we have is

from private-sector organizations that work for the oil industry itself," said Dan McTeague, a petroleum analyst at GasBuddy.com. McTeague is a former politician and longtime agitator for more transparency in the gasoline market.

He said that over the past weekend, Canadians paid 8.7 cents more per litre than the world price, once you strip away currency changes, taxes and tolls.

"The companies are free to charge whatever they want," said McTeague. "Safe in the knowledge that no one is able to provide a spotlight on the pricing makeup."

"We're told as Canadians that we should always be prepared to pay the world price for fuel. I don't have a problem with that, but you can see why the public is up in arms about this when you see these kinds of differentials."

RACHEL NOTLEY WANTS TO SEE AT LEAST 1 'DRAMA-FREE' PIPELINE PROJECT

Alberta premier says she is not opposed to pipelines, but never advocated for Keystone XL

Alberta's premier says she wants at least one new "drama-free" pipeline built that will carry the province's oil to new markets.

Rachel Notley told delegates to an Alberta Urban Municipalities Association convention on Thursday that she plans to achieve that through ongoing discussions with British Columbia, Ontario and Quebec.

It is essential for Alberta, with its reliance on resource revenue, to get access to overseas customers, she said.

Canada's premiers signed a Canadian Energy Strategy in July to get energy products to global buyers.

"This ... strategy will also help ... as we address a key challenge facing the energy industry in this province, which is the need to improve our access to new world markets, which means essentially getting at least one new pipeline built to tidewater," Notley told the association.

She later told reporters she has never suggested she is opposed to pipelines as a general rule, but has never advocated for the Keystone XL line through the United States, because there was little chance of influencing American decision-makers.

It also goes against the NDP's goal to keep domestic jobs.

"Keystone is about providing massive capacity to get bitumen to a competing refinery hub ... a refining hub that competes with any potential development that we could hope for here in Alberta or in Canada."

During a campaign stop in Iowa this week, Democratic presidential candidate Hillary Clinton said she opposed the controversial pipeline project.

The former secretary of state said she wanted to outline her position now after deciding the debate over the pipeline had become a distraction to larger efforts to fight climate change.

Notley said Alberta needs to prepare for renewed growth in the energy industry as prices improve, but only in tandem with greater efforts on the environment.

"It's long past due for the government of Alberta to clean up its environmental act.

"If we don't get it right on this issue, quite frankly, a solution is going to be imposed upon us sooner or later by others — by a federal government and/or our markets, which will increasingly insist that energy products that they buy be mined and processed responsibly."

With oil prices currently under US$50 a barrel, the Alberta government has faced criticism for moving forward with a royalty review even though rates wouldn't be affected until the end of next year.

Notley defended the move in her speech as necessary for the government to collect and save an "appropriate share" of Alberta's resource wealth.

"The royalty review is about modernizing and updating our system, so it fits our future energy industry instead of its past," she said.

"This review is about ensuring that as prices recover, we collect and begin to save an appropriate share of our own resource wealth in the Alberta Heritage Savings Trust Fund for the future of our children and our grandchildren."

Notley expects to have the review completed by the end of the year.

BUSH TO CALL FOR LIFTING OF BAN ON U.S. CRUDE OIL EXPORTS

Republican presidential candidate Jeb Bush will call for a decades-old ban on exporting U.S. crude oil to be lifted in a speech next week that will lay out an aggressive approach to growing jobs in the energy sector.

Bush's speech on Tuesday at Rice Energy Inc., a natural gas and oil company in Canonsburg, Pennsylvania, near Pittsburgh, will mark his latest foray into the detailed policy plans he would pursue if elected in November 2016.

As rival Donald Trump steals the headlines and leads the polls, Bush has been building a detailed policy agenda with the aim of convincing Republican voters he has the can-do spirit and intellectual heft to pursue a conservative agenda.

A campaign aide said Bush will pledge to lift the four-decades-old ban on exporting crude oil and work to speed up exports of natural gas.

He will also call for permitting construction of the Canada-to-Texas Keystone XL pipeline, TransCanada Corp's project to bring Canadian oil to refineries on the Gulf of Mexico via Nebraska. The Obama administration has stalled this project and Democratic candidate Hillary Clinton has pledged to block it.

Bush frequently says on the campaign trail that he would seek to take greater advantage of America's burgeoning energy resources to create jobs and trigger higher U.S. economic growth of up to 4 percent a year.

Bush will also call for giving states more authority over energy decisions, the aide said.

A variety of Republicans have said the United States should export more natural gas to European allies to allow Europe to wean itself from Russian natural gas and punish Russian President Vladimir Putin for his aggression against Ukraine.

Exporting crude oil would be a boon to domestic producers of crude who have been hampered by a worldwide plunge in oil prices.

A president can end the export ban without congressional approval.

Oil producers are pressing for a full repeal of the ban to keep the domestic drilling boom alive. The issue will be debated in Congress this fall, but sponsors of legislation to lift the ban need to secure more Democratic votes.

Bush this week in a speech pledging to cut back on the Obama administration's increase in regulations said he would block Obama's Clean Power Plan, the name for new carbon emission limits on power plants.

EDMONTON POLICE SEE CRIME SPIKE AS OIL DROPS

Violent crime is up 12 per cent, property crime 18 per cent and the number of 911 emergency calls is up by almost 14 per cent.

Edmonton police are linking the downturn in the oilpatch to a spike in crime.

Chief Rod Knecht said officers have responded to 9,000 more calls for service this year, compared to the same time in 2014.

Violent crime is up 12 per cent, property crime 18 per cent and the number of 911 emergency calls is up by almost 14 per cent.

Knecht said the calls for service are not all serious crimes, but added this "significant" jump means that sometimes his officers take longer to respond.

"When oil is up, we are busy, and when oil is down, we are really busy," Knecht said Monday.

"And that is just because a lot of folks are coming back to Edmonton from, say, Fort McMurray, Cold Lake, other points north, and they are staging here in Edmonton waiting for the price of oil to go back up so they can go back to work."

Knecht said it was almost like someone threw a switch last November. That's when the price of oil tumbled to below US$70 a barrel after the OPEC cartel declined to cut oil production.

"We saw a (crime) spike occur then and it has continued on since then. You can say the crime rate is linked, to a certain degree, to the price of oil."

Oil was trading not much above $44 US on Monday.

The Canadian Association of Petroleum Producers estimates that 35,000 jobs in the oil and gas industry have been shed so far this year. Last week, Calgary-based TransCanada told its workforce that more staff cuts are on the horizon.

To deal with the increase in calls, Knecht is asking the City of Edmonton for 80 more officers and support staff.

He also plans to assign more police to work crime cases instead of other duties, such as responding to minor traffic accidents.

Another staffing challenge is recruiting people who can meet qualification standards.

He said the Edmonton Police Service gets plenty of applications, but some people can't pass the physical fitness requirements.

The city has experienced this crime "hangover" in the wake of an energy boom before, the chief said.

He said no one knows how long this downturn is going to last, but he believes it is early in the game.

Knecht, who is a former deputy commissioner of the RCMP and former head of the Mounties in Alberta, said this is his fourth time riding a boom-and-bust cycle in the province.

"We will get through this one as well," he said. "This is life."

MID-SIZE PRODUCERS LEADING NATURAL GAS PRODUCTION IN WESTERN CANADA

Crew Energy, Painted Pony, Progress Energy, and Arc Resources keep natural gas production rollingCompanies operating in the B.C. Peace Region are gobbling up more of the natural gas production share in Western Canada.

Over the past decade, the number of natural gas producers operating in Western Canada has fallen by 30 per cent, according to the National Energy Board.

But as that number drops, mid-size and "large mid-size" natural gas producers in the B.C. Peace are keeping the production train rolling.

Data released by the NEB last week show a decline from 829 natural gas producers in 2006 to 619 in 2014. Despite this, there are more mid-sized and large mid-sized producers active in the Western Canadian gas market.

"Following the 2006 peak in production, gas prices fell and many smaller producers had difficulty attracting investment," the NEB said.

"Hundreds of marginal and small-size producers exited the market, along with a dozen juniors. Three major producers also sold their natural gas assets and exited the Western Canadian market, leading to a decline in the share of production by majors."

As a result, "mid-size and large mid-size producers increased their share of production by drilling tight gas prospects on land acquired from majors, smaller producers, and provincial governments."

Major producers still dominate the markets, however, the share of production held by majors declined from 58 per cent in 2006 to 46 per cent in 2014, Canada's national energy regulator reported.

Mid-size producers are defined as producers with annual production that falls into the 50 to 99 million cubic feet per day (MMfc/d).

In the B.C. Peace, these producers include Calgary-based firms Crew Energy Inc. and Painted Pony Petroleum Ltd.

Large mid-size producers, defined as companies with an annual production of 100 to 500 MMcf/d, increased their share from 24 per cent to 34 over the same time period.

These include Progress Energy and Arc Resources, both based in Calgary.

Encana, Shell Canada and Tourmaline are the only majors operating in the region.