

## 2010 Alberta Report –

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Alberta's economy will lead the nation in growth next year, according to a report released recently by TD Economics. The bank's Canadian Economic Outlook report said the province's real gross domestic product growth will be 3.5 per cent in 2011 after a 2.8 per cent hike in 2010. This positive activity spells steady but cautious outlooks for the future.

The financial meltdown that changed the economic landscape all over the world is evolving. Canada's economy will remain in the slow growth lane with accompanying high unemployment for the next year and a half and this will spill over into Alberta. It appears that the U.S. light-vehicle sales -- the market for 80 per cent of Canadian auto production -- will remain well below the decade average of 15.3 million units. A weak recovery in home building, meanwhile, will affect Canada's lumber industry nationwide. Debt-to-person disposable income is now at 144 per cent in Canada, close to the U.S.'s 151 per cent. Four years ago, the gap was 30 per cent, which means that Canadians took advantage of the lower interest rates like our neighbors to the south.

As an industry, we have to be vigilant that we don't alienate the various levels of government we have worked with very collaboratively over the years and be very cognizant of their needs and plans for the future. In fact we need to work more closely with them than ever before. We need to come to the table with good solutions and processes so that collectively the backlog of transportation demands come to fruition. Our owner partners are counting on the industry to prescribe innovative solutions to the backlog of transportation infrastructure, solutions that will provide sustainable networks, and longer life spans.

In 2010 the ARHCA continued improving the quality and content of information we provided to the membership, and continues to keep a close eye on global economic events so that we can inform our members of their influence. One of the significant triggers to our industry's costing is obviously global supply and demand, but also the correlation to crude oil pricing. It has been shown that road construction costs parallel crude oil pricing to a 95% reliability. It is our intent to continue with this report so that we can build a reliable database of economic information as it relates to our sector. We need a good repository of economic data as it pertains to our industry so that planning for the future is enhanced with reliable and strategically relevant information.

We are also continuing work on our other major strategic goal: the need to ensure our industry has access to a skilled labor force. The Construction Sector Council's (CSC) labor market research shows electricians, construction managers, gas fitters, residential home builders, bricklayers, concrete finishers and carpenters are among those in greatest demand in its forecast for 2010 to 2018. The intensity of demand for various trades varies by province but industrial and resource-based trades dominate in Alberta and Saskatchewan.

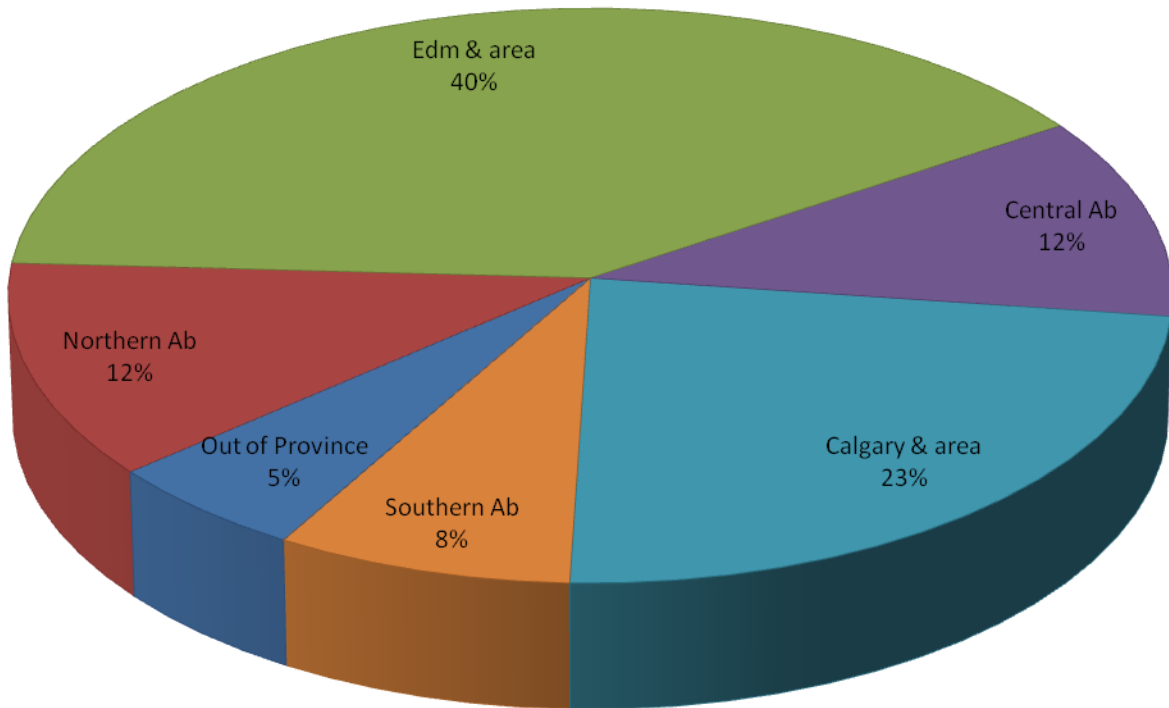
For example, in Alberta alone, the CSC projects 25,600 retirements from 2010 to 2018, and there will be 23,700 new jobs created. However, only 25,700 new entrants will come into supply through training, leaving a deficit of about 24,000 workers. Offsetting this trend is the notion that we will continue to work longer than originally planned. Many baby boomers will continue working, still vigorous and energetic, still actively contributing.

We are active partners in the Construction Workforce Strategy, and are renewing and building major alliances with educational institutions that can deliver the programs tailored to our industry. Of significance is the work being done with Olds College and the Northern Alberta Institute of Technology (NAIT). At Olds College we have spearheaded the development of the Underground Utility Installer program and had a major role in the Heavy Equipment Operator program, both designed for practical application and including the all-important seat time. At NAIT we are entering the second season of the Roadbuilders Certificate program, with 12 professional development modules, ranging from surveying and blueprint reading to soil mechanics and supervisory skills. A continuing initiative for ARHCA in 2010 was the CEO breakfasts. Gene travelled to six communities to hold informal feedback sessions with the membership. They have proven to be very popular and provide a great means of interaction and of gaining valuable regional perspective and issues. In addition our CEO gets to personally meet many of the members from around the province and speak about grass roots issues.

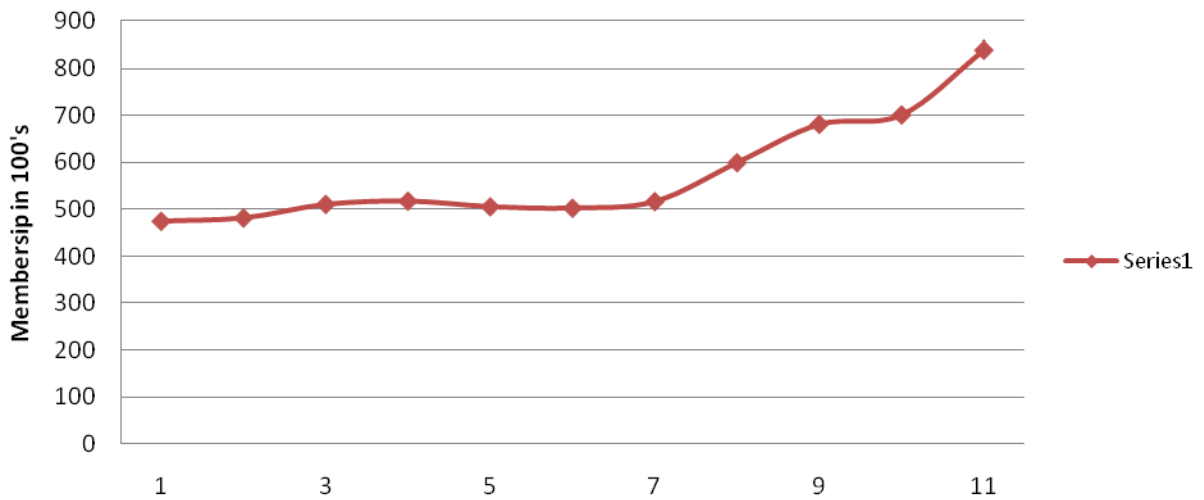
Our membership continues to grow steadily, now being just over 800 members!

The first graph shows the membership by geographic area, and the second shows the growth in membership numbers.

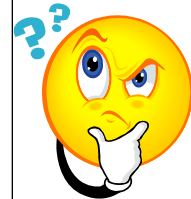
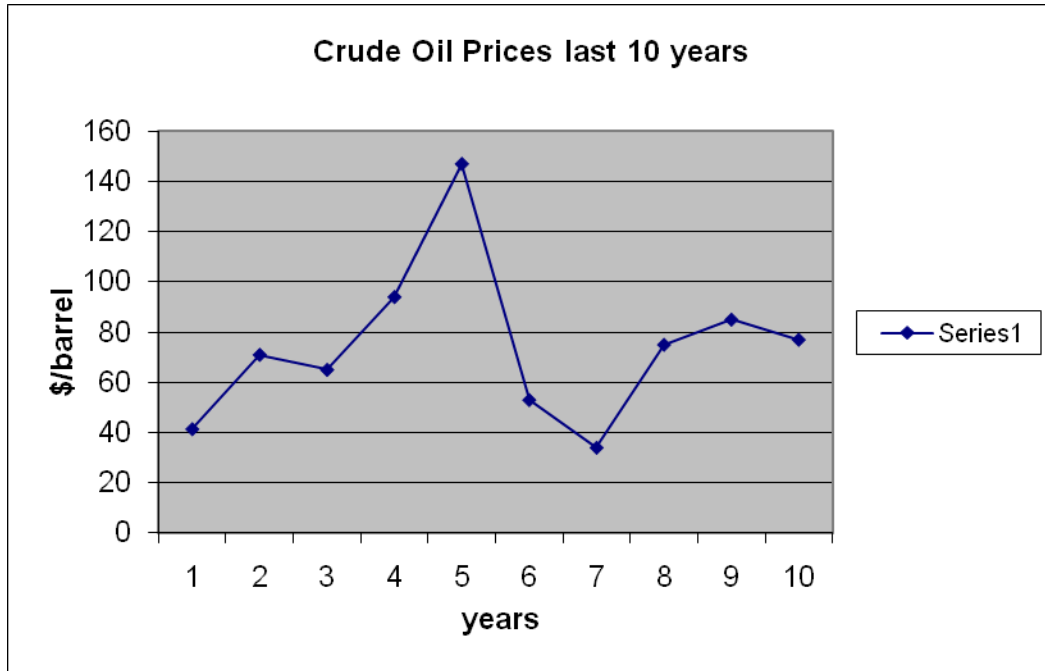
## Members by Area



## Membership Trends



2011 has the potential to be as busy as 2010, even though there is some imbalance between sectors. A consistent budget from Alberta Transportation for 2011, plus a gradual return in the commercial and real estate sectors will bring additional stability to a cautious industry. Costs will continue to mirror crude oil prices, but may not be as precipitous as previous years as shown in the graph below.



As you can see from the above graph, the volatility of crude oil pricing and the challenges to refining capacity that exist in the world today make it very difficult to define and predict accurately what will happen relative to costs in construction and road building materials. For our industry this commodity is a significant determinant of asphalt binder cost, and diesel costs, and ultimately the cost of road and construction rehab. At best we will monitor these trends and apprise our stakeholders and constituents on a timely basis.

The Canadian dollar continues to hover near par with the U.S. currency, and in the words of many economists is too high and is slowing some of the rebounding of the economy.

Clearly the global economy has significant impact on our industry, government budgets, and the use of commodities, but the major factor for us in Alberta is the provincial budget. Thus far the budget has outlined expenditures for three years, the major cities have also started to publish three year numbers, but we all count on the predictability and sustainability of these funds. This predictability allows the industry to redeploy their resources to emerging demands,

and to ensure that capacity meets the demand of the current and backlogged transportation infrastructure.

We continue to have a very dedicated staff at the ARHCA office, who supply incomparable services for our members, including the distribution of tender information, networking and business development events, seminars, training and education initiatives, media and stakeholder relations, the E-Roadrunner Update and Newsletter, the Industry Tracker, the ARHCA website, and many others. Heidi Harris-Jensen, Cindy Klynstra, Lynda Klassen, Dawn Fenske, Diane Noonan and Ron Collins are a great team. We would like to thank them for the great support and their continued efforts to sustain the significant impact and influence that the ARHCA has in the industry.

I would like to thank the Board and the committee chairs for their involvement and collaboration, and specifically our 2010 Executive Committee: Steve King, Roger Walls, Darryl Conroy and Rick Englot for their efforts and support. Each of these individuals brings significant professional and industry knowledge to the table and cares deeply about the ARHCA.

All of this support allows ARHCA to be a strong and unified voice for the civil construction industry in Alberta.