

TSX ▲  
13,399.42 74.67

DOW ▲  
15,570.28 61.07

NASDAQ ▲  
3,943.36 14.40

DOLLAR ▼  
95.65¢ 0.27¢

OIL ▲  
\$97.85 \$0.74

GOLD ▲  
\$1,352.50 \$2.20

PRIME  
3% Oct. 23



The Cecon Pride is named during a ceremony held on Friday at the revitalized Davie shipyard in Levis.

PHOTOS: THE CANADIAN PRESS/JACQUES BOISSINOT

## NEW OWNERS REFLOAT DAVIE SHIPYARD

The first large vessel to be built at the yard in two decades signals an important day for the shipbuilding industry in Canada

MARK CARDWELL  
SPECIAL TO THE GAZETTE

**LÉVIS**  
The traditional smashing of the champagne bottle on the first ship built at Canada's oldest and biggest shipyard christened the Cecon Pride Friday. That symbolic act at a dockside ceremony in front of about 1,000 guests at the Davie Shipyard also signalled the resurgence of shipbuilding in Quebec.

The Cecon Pride is the 717th vessel to be built at the Davie shipyard, which was itself launched in 1825.

"I've seen some high and very low tides here over the years," said Steven Blaney, MP for Lévis-Bellechasse, from a raised podium next to the blue-and-white vessel as the sun broke through

the clouds on a bitterly cold fall day.

"But today is the beginning of a new direction for Davie."

The Cecon Pride is a 130-metre vessel specifically built to operate in harsh conditions like that of the North Sea oilfield.

While not technically launched — it was sitting in about four metres of water in a dry dock — it is about 90 per cent completed, said Kiley Sampson, the Cecon Pride's project director.

There are about 5,000 ships of this kind operating around the world, as opposed to about 80,000 cargo ships.

Billed as the most complex vessel ever built in Canada, it can be used for multiple deep water tasks in the offshore oil and gas industry, from emergency deep sea well intervention to pipe laying and construction.

"They're not like the cookie cutter ships built in China, but Canada can very easily built these kind of ships because they're not easily duplicated," Sampson said.

"They're small and we can make them."

Davie chairman Alex Vicefield said earlier such specialized vessels are normally built in Europe.

It is the first large ship to be built at the Davie yard in two decades.

The last was a ferry for Marine Atlantic that plied the 110-km-wide Cabot Strait between Cape Breton Island and Newfoundland.

"I think this is a very important day for the shipbuilding industry in Canada," said Peter Cairns, president of the Shipbuilding Association of Canada.

"Davie has gone through some really tough times and (the new British owners) are following up on what they said they would do when they bought the yard earlier this year."



Virginia Bowen, wife of Davie CEO Alan Bowen, prepares to cut the ribbon to name the new ship Cecon Pride, on Friday.

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## DAVIE 'Labour force is excellent, facilities are extremely good'

CONTINUED FROM C1

Friday's launch came almost a year to the day of the announcement of Davie's sale to Zafiro Marine — recently renamed Inoca Capital Partners — a London- and Monaco-based fleet management company.

The new owners credited the Cecon Pride ceremony on the efforts of the 739 workers who have been recalled to the yard in recent months.

They also say they are now well positioned to compete for new shipbuilding and maintenance contracts in Canada and abroad.

According to Vicefield, the costs of new ships are roughly 60 per cent materials, 40-per cent labour.

"You can't do much about material costs," he said in a CBC Radio interview this week. "But labour costs — that's where the competitive edgelines."

He noted that the unionized wage rates being paid at Davie are far lower than in European yards.

"I can tell you that compared to yards in, say, Norway, it's about half," Vicefield said.

He added however that the quality of workmanship at Davie is second to none.

"The labour force is excellent and the facilities are extremely good," Vicefield said. "There has been a lot of money invested here over the past 20 years."

The result is that many Canadian and foreign companies have made formal inquiries about ship-building projects, particularly for ferries and offshore vessels like the Cecon Pride — about \$1.2 billion worth in the last few months alone, Vicefield stated.

In addition to bidding on those countries and finishing the five vessels already in the yard, Davie is also interested in federal shipbuilding work.

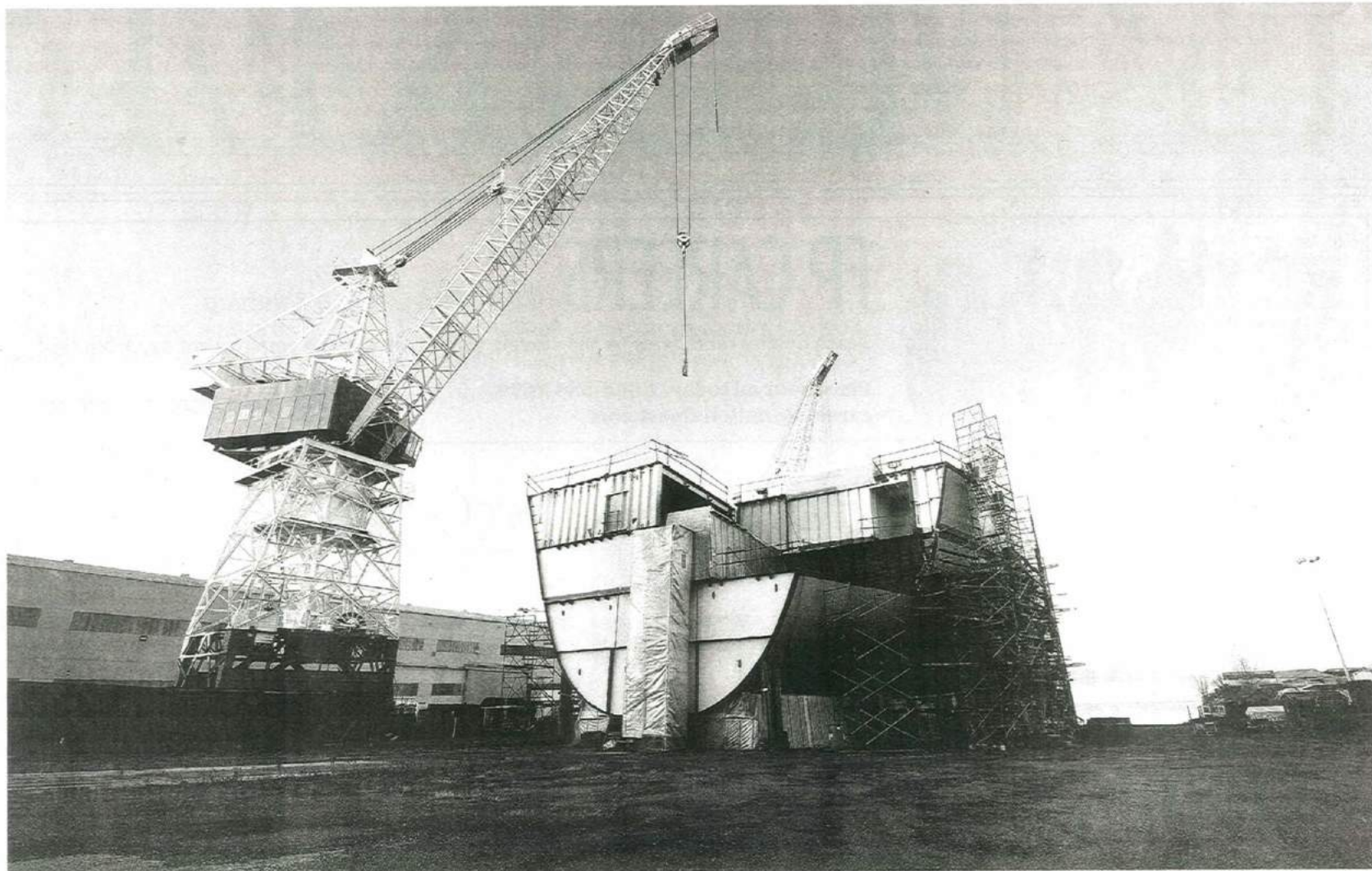
He noted that Davie has recently hired several senior managers from the two, 2011 winners of the \$33-billion national shipbuilding strategy bid process — Halifax's Irving and Vancouver's Seaspan.

Davie finished a distant third — it was then insolvent and had been out of operation for 18 months.

But it soon reopened under new management and landed an untendered and controversial \$120-million contract to build two car ferries for the Société des Traversiers du Québec.

The deal was needed for Davie to be eligible to make a last-minute bid for the federal contracts.

Vicefield is now confident, however, that Davie has a good chance to land some of the remaining \$2 billion that the federal government plans to spend on the construction of more than 100 smaller support and patrol vessels for the Canadian Coast Guard and the Navy.



PHOTOS: JACQUES BOISSINOT / THE CANADIAN PRESS

Three ships sat unfinished at the Davie shipyard in Levis after the yard's owner filed for creditor protection in February 2010.

"They absolutely interest us," he said. "What we can do at Davie is create a production line which creates efficiencies that can make cost savings as a result."

He also hinted that Davie would be "capable and ready" to take on work from the first bidding process if Irving or Seaspan don't have the capacity to do so.

He was referring to a report earlier this year from federal spending watchdog Kevin Page, who questioned the ability of Seaspan to fulfill its \$8-billion part of the contract to build seven or eight combat and non-combat vessels.

"Seaspan's experience has been in the field of barges, ferries, smaller commercial ships," the parliamentary budget officer wrote in his report, which was released in February.

"The company has very little experience in the class of ships that will be produced (and) the workforce, while potentially experienced generally, will have less direct shipbuilding experience than would be desirable."

Vicefield said Cecon Pride, together with Davie's storied past in making warships, provides tangible proof that his yard has the ability to handle the engineering complexities of the federal shipbuilding program.

"We're now building five ships and we're operating at only 30-per cent capacity," he said. "And (Friday) shows what we're now capable of doing."

That is a sea change from a generation ago, when the yard was marred by union

troubles and a militant workforce.

"The union was more in charge than the bosses were," said André Vermette, a former ship's manager who spent 38 years at the Davie yard, many of them as the top blue-collar worker on site who directed the work on new-build ships.

He recalled one incident in the early 1980s when Paul Desmarais visited the yard, which was a subsidiary of his Canada Steamship Line, with former prime minister Jean Chrétien, then a senior Liberal cabinet minister.

"The workers burned Desmarais in effigy from the top of the highest crane on the yard," Vermette said. "Desmarais sold the place (to former prime minister Paul Martin) not long after that."

The yard then began a slow

descent into a financial abyss that lasted until the mid-1990s, when former owner Dominion Bridge declared bankruptcy.

The yard spent a decade in receivership and was about to be liquidated in a dockside auction when a Norwegian company — Teco ASA — bought it in 2008.

Another Norwegian company — Cecon ASA, an Oslo-based subsea installation contractor — ordered three ships.

The Canadian government provided the publicly-traded Norwegian company loan guarantees of up to \$200 million U.S. to support construction of the three vessels at the Davie yard.

However, the yard's owners — a subsidiary of another

publicly-traded Norwegian company, filed for creditor protection in Quebec Superior Court in February 2010.

As a result, the three ships

have sat unfinished in the Davie yard.

Since Zafiro/Inoca's acquisition of the yard was approved on Nov. 1, 2011 by the yard's major creditor — the Quebec government — a series of events have unlocked the financial resources required to complete work on the Cecon vessels.

Cecon notably secured \$280 million in financing from York Capital Management, a Manhattan-based employee hedge fund, and repaid the Export Development Canada \$107.5 million in outstanding loans in February.

Cecon announced in April that "ownership of (our) ves-

sels under construction in Canada" now belongs to a new subsidiary called Rever Offshore AS.

Cecon and York respectively own 85 per cent and 15 per cent of shares in Rever.

Rever is supplying money

to Inoca and Davie to complete the three vessels, which are legally identified as hulls 717, 718 and 719.

Friday's ship naming,

together with the apparent turnaround in the oft-scuttled shipyard's financial fortunes,

both amazes and puzzles Stephen Gordon, a Université

Laval economics professor who writes an international-

ly popular blog on Canadian economic matters.

"The fact that they were

able to attract and rebuild a skilled labour force in this

region is a major accomplishment, a real tour de force. The

unemployment rate in the

Quebec City area is extremely

low — the lowest of any

city east of Saskatchewan in

fact. We're on a par with Cal-

gary."

Once the hoopla from the

Cecon Pride ceremony dies

down, however, Gordon said

the company will be faced

with the return to the harsh

realities of the shipbuilding

industry.

"It takes huge investments

to be profitable in a business

like that," he told The

Gazette. "It takes a lot of time

and money to do that. Only

time will tell if they have the

wherewithal to do that."

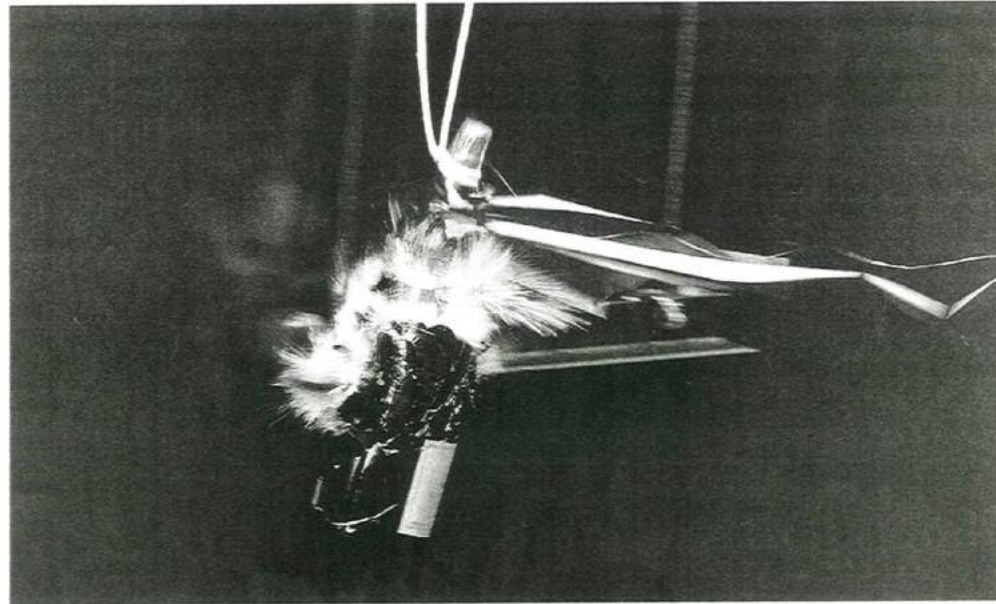
"(Friday's) event is nice

and it's a real accomplishment

for the new owners. But

it is not an indication of their

long term viability."



A bottle of champagne shatters on the hull of the Cecon Pride, Friday.

## Watered-down labour code 'affront' to workers

Opposition parties, labour groups critical of new federal regulations

JACQUES BOISSINOT  
MONTREAL GAZETTE

OTTAWA — New federal labour code regulations introduced in the Conservative government's fall budget bill will get health and safety protections for Canadian workers and make it more difficult for employees to refuse to work in unsafe conditions, say opposition parties and labour groups.

But the Conservative government maintains workers will still be able to refuse dangerous work, and that the changes are designed to improve workplace safety and direct health and safety officials to where they are most needed.

The changes unveiled in the Harper government's sweeping 50-page fall budget implementation bill will re-define what is considered "danger" in federally regu-

lated workplaces and renege the "refusal to work process," says the budget document.

As well, the legislative amendments will "remove all references to health and safety officers and to confer on the Minister of Labour their powers, duties and functions."

The changes would apply to approximately 1.2 million Canadian workers — or 8.2 per cent of all employees in Canada — who fall under that section of the Canada Labour Code, says the government. Those affected sectors include telecommunications, rail, transport, airlines, the federal public service and others, with the remaining workers covered by provincial labour codes.

"It really is an affront to the protection of workers from harm and danger in the workplace," said Hassan Youssef, secretary-treasurer with the



Minister of Labour Kellie Leitch says workers still have the right to refuse work that is deemed unsafe.

Canadian Labour Congress, which represents 1.2 million Canadian workers.

Ottawa, however, maintains the proposed reforms will not reduce the number of health and safety officers, but ensure their time is used more effectively to enforce labour laws in truly dangerous workplaces.

Handing the powers of health and safety officers to the minister will allow her to delegate specific expertise

on workplace safety files, the government says, and ensure a consistent response and application of the rules across the country.

Workers will also continue to have the right to refuse work that is deemed unsafe, said federal Labour Minister Kellie Leitch.

"We will now be able to focus on those places where there really is danger," Leitch, who is also a practicing pediatric surgeon, said

Friday in an interview. "The intent here is let's focus our resources where we seriously have problems."

The Conservative government says the changes being proposed to the Canada Labour Code are "designed to make the process more of better" by clarifying the definition of danger.

The current definition of danger "means any existing or potential hazard or condition or any current or future activity that could reasonably be expected to cause injury or illness to a person ... whether or not the injury or illness occurs immediately after the exposure to the hazard," says the federal labour code. It also includes a mention about damage to the reproductive system.

The new definition would strip any mention of the reproductive system and mean "any hazard, condition or activity that could reasonably be expected to be an imminent or serious threat to the life or health of a person," says the bill.

Federal officials say be-

tween 2000 and 2010, more than 80 per cent of the refusals to work were determined to be situations of "no danger," even after allowing appeals.

"You hear the word danger and the change to it, and you get anxious, and I'm respectful of that," Leitch added. She said labour and employer groups she has spoken with this week have had many of their concerns allayed once the changes were explained to them.

But NDP labour critic Alexandre Boulerice said watering down the definition of danger is particularly worrisome because illnesses such as cancer are extremely serious but not imminent — which would be a new test in the law.

Both the NDP and CLC wonder how workers can be protected if health and safety officers are stripped of their powers and the authority is handed to the minister.

"It's not good for the workers ... It puts more tools in the hands of the employers," Boulerice said.