

## **Accelerating Northern BC's Asia Pacific Gateway Future**

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Northern British Columbia is on the cusp of an extraordinary future as a sustainable, knowledge-based, resource economy, connected to the world.

Resource exports are on a significant rebound, and Northern BC is playing an increasing role in connecting Canada's other western province's -- Alberta, Saskatchewan, and Manitoba -- to the vast opportunities of the Asia Pacific.

According to the Business Council of BC, British Columbia accounts for about 35% of Canadian exports to the Asia Pacific, while fully 72 percent of Canadian exports to this region go through the Pacific Gateway. While the majority of goods continue to go through the Southern Corridor and Port Metro Vancouver, the Northern Pacific Gateway Corridor and the Port of Prince Rupert are coming into increasing prominence.

Over the last 12 months, Prince George and northern BC have increasingly seen the "China effect" take firm hold in the region's resource based economy.

The region is "going global", moving beyond its historic dependence on the United States. The region's northern corridor is also growing as a preferred supply chain route for the movement of goods between the Asia Pacific and US heartland markets.

The role of the Asia Pacific, led by China, in the expansion of the export-oriented resource sector has been fast and remarkable. A few numbers illustrate this.

At \$6.8 billion in export value, the United States remained BC's largest export destination for the first six months of 2011, though there was almost no improvement (a mere 0.1%) year-over-year compared to January to June 2010. Meanwhile, our leading markets in the Asia Pacific posted substantial six month year-over-year increases: China (including Hong Kong), \$2.6 billion, up 49%; Japan \$2.3 billion, up 11%; and, South Korea \$1.2 billion, up 35%.

Much of the dramatic increase in the BC's overall exports to the Asia Pacific has been driven by torrid demand for softwood lumber and coal, principally from China. In June 2011 compared to the same month in 2010, the value of lumber exports to China rose a staggering 163%, while coal exports rose by 66% during the same time frame. Also of importance for the north, the value of aluminum exports to China increased by 176%.

## **Capitalizing on Asia Pacific Market Opportunities**

Recently, the provincial government has signaled its commitment to bring forward an aggressive “Jobs Strategy” focused largely on traditional resource export sectors. To ensure success, concerted focus is needed in three broad areas with particular focus on Northern British Columbia.

First is resource and infrastructure “project conversion”.

Against the backdrop of the rise of the Asia Pacific as a rapidly growing market for BC, corresponding investments planned or underway in Northern BC total well into the billions of dollars.

Within the forest industry, about 24 mills have reopened to supply the near insatiable demand for dimension lumber in China.

Many existing mines are being expanded while new ones will be enabled by the forthcoming \$404 million Northwest Transmission Line along Highway 37.

Mega projects are in the works. The \$7.9 billion Site C Clean Energy Project is being planned to satisfy domestic electricity demand, while the \$5.5 billion Enbridge Northern Gateway Pipeline opening Asia Pacific markets to Alberta oil is undergoing regulatory review.

On an even larger scale, a number of liquified natural gas projects tallying in the multiple billions of dollars are in various stages of planning. On a smaller scale, millions of dollars of bio-energy plant investments have been made, with more anticipated.

To create jobs, these will have to be expeditiously converted from “planned” to “underway”.

Time is of the essence as capital allocated to many of these opportunities can go elsewhere, potentially resulting in lost jobs for BC. This means senior governments must streamline processes for environmental assessments and permitting without compromising environmental protection. It also means additional efforts to engage First Nations and enable them to participate in resource development.

The second required focus is skills and innovation.

The sheer magnitude of the skills needed for prospective northern projects, serviced by Prince George and other communities, is enormous. With an unemployment rate hovering around 7 percent in Prince George, full employment is already close at hand. Particular attention by senior governments must be paid to providing northern post-secondary institutions with additional capacity and programming to train and retain northern professional, technical, and trades workers. Leveraging the Provincial Nominee Program to attract skilled immigrant workers is also essential, and establishing innovative approaches to attract workers to the north is critical.

It is also important for senior governments to support further knowledge-development and innovation as we expand the north’s resource economy. Knowledge created around sustainable extraction and

manufacturing of our natural resources is an export and long-term job creation measure in its own right. The Provincial Government's recent announcement of a Request for Expressions of Interest for the Wood Innovation and Design Centre in Prince George is a critical step towards advancing a global centre of excellence to create new wood and bio-energy product streams.

The third required focus is the Prince Rupert – Prince George northern corridor and supply chain.

It's time to leverage the strategic position of the Northern Pacific Gateway as the shortest and most direct corridor for the movement of goods between the two largest market economies of the world – China and the United States. Given its closer proximity to Asia, its slighter rail grade, and shorter time to market the Northern Pacific Gateway is very well-positioned to assume the mantle as the "supply chain route of choice" between China and the United States over the coming decade.

In fact, the four year old Fairview Container Port at Prince Rupert is an overwhelming success. The Port of Prince Rupert was the only west coast port to show higher container volumes during the recent recession with a 45% increase in 2009, and 30% increase in 2010.

Break-bulk terminals in Prince Rupert are also near capacity with the dramatic rise in resource exports to the Asia Pacific over the past two years, led by China. The Government of British Columbia is to be congratulated on its recent \$15 million contribution towards the \$90 million cost of the first phase of the Ridley Island Road-Rail Utility Corridor. Further investments will be required.

Prince George, northern British Columbia's largest city located 800 kilometers inland from Prince Rupert, is growing as a multi-modal hub with recent dramatic increases dimension lumber, pulp, forest-based bio-energy, and coal exports.

CN's transload-intermodal container facility has increased its throughput dramatically from about 30 containers per week as recent as May 2010, to 450 per week at present. CN is currently expanding the facility to handle 700-800 containers per week beginning January 2012. Virtually all of this volume is driven by exponential growth in Asia Pacific demand for northern British Columbia forest products and back-haul opportunities provided by containers returning to Asia through the Port of Prince Rupert.

The International Airport at Prince George has just expanded and now boasts the third longest commercial runway in Canada, very strategically located on a circumpolar position between the Pearl River Delta Region of China and the US Heartland markets. Highly convenient rail and road connections intersect near the airport, and 3,000 acres of light industrial land has recently been made available to the market for air-side development.

While dramatic improvements have been made to the Northern Pacific Gateway infrastructure during the last decade, the time has come for further strategic planning and investments in the "national interest". The federal government has a role to play together with the three provinces in the New West Partnership – British Columbia, Alberta and Saskatchewan – to make this happen.

Here's what is required:

- Dramatic expansion of the Container Port at Prince Rupert, consistent with the Prince Rupert Port Authority's Vision 2020 Plan.
- Devising a long-term plan to twin Highway 16 from Hinton, AB to Prince Rupert, BC. Now is the time to plan for the long-term. After all, the Port of Prince Rupert and the vast opportunities of the Asia Pacific belong to Alberta and Saskatchewan as much as they do British Columbia.
- Ensuring there is leading edge telecommunications infrastructure along the northern corridor, including state-of-the-art broadband and cell-phone coverage.
- Recognition and encouragement of the emerging role of the Prince George International Airport and its highly strategic location for trans-pacific refueling and cargo transshipment. This includes providing supportive regulation, infrastructure funding, and marketing assistance.
- Keeping a "watching brief" on inter-modal capacity to ensure that value-destroying bottlenecks don't inhibit export growth, in-bound transportation and logistics activity, and job creation.

## **Conclusion**

The combination of growing resource exports to the vast markets of the Asia Pacific, led by China, and the inherent supply chain advantages of the Prince Rupert – Prince George corridor bodes well for future well-paid family supporting jobs and incremental revenues for government coffers.

To fully capitalize on these opportunities, streamlining processes to convert planned projects into economic activity and jobs, support for northern skills development and innovation, and ensuring transportation capacity is in place throughout the north – especially at the Port of Prince Rupert and the Prince George transportation hub – is imperative.