



## Great scenery, economic uncertainty

**L**ife in resource-rich western Canada has its share of ups and downs. Tucked away in the far-flung northwestern corner of the country, a far-too-common economic drama is playing out. It's up, then down, back up, and now maybe down again. Or maybe up.

The Terrace-Kitimat-Prince Rupert region of northwestern British Columbia encompasses some of the most stunning geography in the country. The Skeena River Valley — running from the coast at Prince Rupert inland to Terrace and beyond — is rich with deep fjords, dramatic canyons, sheer mountains, old-growth forests and an abundance of wildlife.

The economy of the region is cyclical. The steady decline in the forestry sector over the past decade has been particularly nasty in this part of the country. Recent developments have given some spark to the region and have the potential to transform it into an economic powerhouse. No longer would it be a forgotten little corner of the West Coast. The port of Prince Rupert is part of the federal and provincial governments' Pacific Gateway Strategy to increase port capacity in BC.

Canadian National Railway, which is the major rail transportation link connecting Prince Rupert and the rest of the continent, is investing heavily in the port terminal. The Terrace Airport has just announced that a third air carrier will provide service to Vancouver — something that the remote region desperately needs in order to increase its business and economic potential.

**B**ut in the midst of all these upbeat stories, there are some troubling developments that threaten to halt the region's growth.

Consider the massive proposal by Calgary-based Enbridge Inc. to lay \$4 billion in crude oil pipelines from

Edmonton to the port at Kitimat. The project would include a \$200-million marine terminal in the port, provide 5,000 construction-related jobs and pump some \$1 billion in direct and indirect employment into the provincial economy.

The problem is that Enbridge has recently pulled the rug out from under the project — at least for now. The company has opted to invest more heavily in pipelines into the US. The proposed Gateway Project (not to be confused with the government's Gateway Strategy mentioned above) is now on hold until sometime between 2012 and 2014. A lot can happen between now and then, and the chances of the project proceeding at all are slimmer than they were a year ago.

Another example: Alcan's \$2-billion plan to expand and modernize its aluminum smelter at Kitimat is also in jeopardy. The company is the largest employer in the region. (In fact, the whole town was designed and built in the 1950s to provide housing for Alcan employees). But because of a disagreement between Alcan and the British Columbia Utilities Commission over the sale of excess electricity onto the provincial power grid, Alcan is putting the expansion on the "wait-and-see" list.

**Y**et another big question mark that looms is the NovaGold Resources mining project at Galore Creek, situated north of Terrace near the Alaska panhandle. An estimated 5.9 million pounds of copper, 3.7 million ounces of gold and 40 million ounces of silver sit waiting to be mined. Tens of millions of dollars have already been spent in exploration and in getting the environmental approvals going, and \$US1.2 billion more is expected to be spent in capital investments over the next few years. The mine — which sits on Aboriginal lands — is being giving the thumbs-up by

Native groups. NovaGold will give preferential hiring to Tahltan people, and Tahltan-owned companies get first dibs on some support service contracts.

But will it all proceed? The big question mark is base metal prices. Most analysts are suggesting that prices have recently peaked for copper, and precious metal prices tend to be linked to fears of inflation or geopolitical conflicts. Where prices go from here — or when the mining activity will proceed — is anyone's guess.

The corporate decisions on whether to proceed with these projects should be respected. After all, the shareholders of Enbridge, Alcan and NovaGold are not responsible for the region's economic development. And it is unfair to call the companies bad corporate citizens for being cautious and applying due diligence.

At the same time, all of this must be extremely frustrating for politicians and economic development planners in the region. How can you plan for the future when you have very little idea what that future will look like?

Worse yet, how can you steer your economic destiny when you have so little control over the eventual outcomes? Decisions are made in boardrooms in Calgary and Montreal. Battles are fought in Ottawa and Victoria. What can regional planners do but throw up their hands and hope for the best?

The uncertainty around commodity prices and corporate decisions is making things tough for planners in northwestern BC, but that is all part of being a resource-based economy. Coping with the "not knowing" and lack of control over your destiny is part of what defines many parts of the West.

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