
Northern British Columbia: A Vision for Prosperity

*Prepared for
Outlook 2020:
Shaping BC's
Economic Future*

Initiatives Prince George
Development Corporation
and Northern Development
Initiative Trust

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EXECUTIVE SUMMARY

Northern British Columbia will drive the province's economic future. It is a region of boundless economic potential with a broad array of renewable and non-renewable natural resources. However, as abundant and important as these natural advantages are, deliberate action and long-term vision are necessary to bring about the conditions for continued economic growth and sustainable development in Northern B.C. for the benefit of all British Columbians.

Fundamentally, the North wants to build a knowledge-based resource economy that is connected to the world. This is our aspiration and our collective resolve.

Investment, innovation and collaboration are essential to the realization of Northern B.C.'s vision for prosperity. In order to achieve this vision, future economic and community development in Northern B.C. must be built on the platform of four fundamental opportunities. These are:

1. Adding value to natural resources.
2. Growing the economic engine with strategic infrastructure investments.
3. Training and retaining a young workforce in rural and Northern British Columbia.
4. Collaborative decisions between local governments, First Nations and businesses on creating a positive climate for investment, certainty and sharing opportunities through regionalized resource revenue sharing.

This paper discusses these opportunities and provides 19 recommendations for their successful implementation.

ADDING VALUE TO NATURAL RESOURCES

For decades, the economy of Northern British Columbia has been predominantly focused on activities related to the extraction of natural resources, with only modest efforts made to diversify regional economies.

Continued over-reliance on primary industries without a parallel focus on strategies for diversification left many communities vulnerable and created significant barriers to maintaining economic and community sustainability. While this has been changing in recent years, efforts on both policy innovation and focused investment on the part of senior levels of government will be required to continue to diversify the Northern British Columbia economy.

Forestry and the emerging bio-energy industry

The emerging bio-energy industry presents a major opportunity for Northern British Columbia; the region's supply of forest biomass can be used to produce a clean energy supply to meet increasing demand, while meeting the goal of reducing carbon emissions. The bio-energy industry can create jobs in Northern communities, help diversify rural economies, and improve the health of the province's forests. However, the bio-energy industry will not develop to its full potential without the appropriate policy framework.

Mining, oil and gas

In order to realize the full potential of the mining and oil and gas industries in Northern British Columbia, conditions must be established to ensure not only that mining and oil and gas exploration continues, but that exploration projects progress to the next level of development and operation. These conditions include both a favourable policy environment that supports industry development within the context

of First Nations and environmental concerns, and the available power, pipeline, road and communications infrastructure to facilitate and support the growth of these and other diverse economic activities in Northern British Columbia.

GROWING THE ECONOMIC ENGINE WITH STRATEGIC INFRASTRUCTURE INVESTMENTS

Infrastructure investments in Northern British Columbia are critical to the future prosperity and sustainability of the region. Strategic investments must be made within a timeline that will make the next decade the “Northern Decade” to generate wealth for the benefit of all British Columbians.

Transportation infrastructure

Despite the fact that highways in Northern British Columbia are responsible for transporting wealth-generating resources from rural regions of the province into export markets, this infrastructure has been underfunded for some time.

There is an urgent need to accelerate the completion of the Cariboo Connector four-lane program, to develop and implement a medium-term plan to improve and four-lane Highway 16 from Hinton to Prince Rupert, as well as to improve other highways in Northern British Columbia. While the \$200 million first phase of the Cariboo Connector improvement project is currently underway, the remainder of the \$2 billion four-laning project has not been scheduled for construction.

Increased transportation costs associated with roads which have height, width or load restrictions impact the profitability of firms and pose significant barriers to development in the North. Heavy manufactured goods such as compressor stations, hydroelectric and wind turbines, combines, pre-manufactured homes, drilling rigs and mining equipment should not have to travel out of Northern B.C. — via Alberta and United States — to reach another region of the province.

Improved infrastructure for transporting manufactured goods to external markets is critical to improving British Columbia's growth position for this industry. Given the province's geographical position, British Columbia should be in a better growth position than the Prairie Provinces, especially considering the low cost of industrial land in the region that is suitable for diverse manufacturing operations.

The Port of Prince Rupert Fairview Container Terminal Phase II and continued efforts to build a multi-modal transportation hub at Prince George will require the support and involvement of senior orders of government, local agencies and the private sector.

Energy and communications infrastructure

Improvements in energy infrastructure in Northern B.C., specifically in the Northwest, as well as the Northeast shale gas basins, are critical to ensuring that this region of the province reaches its full development potential.

New transmission infrastructure and hydroelectric power in the Highway 37 corridor would provide jobs and skills training during planning, implementation and construction, and would also open up new opportunities for high-paying jobs in mining, forestry, and power generation, while revitalizing existing industries in the Northwest.

This project is squarely in the provincial interest given its potential to grow the province's GDP and thereby improve the standard of living for all British Columbians. But, the project must undergo immediate environmental assessment and achieve permits north to Dease Lake over the next two years, so that the line can be

constructed in anticipation of inevitable improvements in commodity prices and as demand for green power projects, including biomass, hydro, geothermal, and wind, leads to permitting and financing for development.

Lack of internet connectivity leaves residents of Northern British Columbia unable to access new educational, health care, and other critical services such as distance education and remote medical diagnosis. It also hinders the North's ability to conduct business and participate in the global knowledge-based economy. Improved connectivity will encourage revitalization of rural communities by enabling people living in those communities to develop both socially and economically, by improving health and education outcomes, and by connecting people to economic opportunities elsewhere.

Investments in redundant fibre optics must be made in Northern B.C.; an additional fibre optic system is required for the Port of Prince Rupert, as well as from Prince George through the Northeast B.C. and into Alberta to Edmonton.

TRAINING AND RETAINING A YOUNG WORKFORCE IN RURAL AND NORTHERN BRITISH COLUMBIA

Improving the skills development and training opportunities available to the population in Northern B.C. is critical to the future sustainability of Northern communities.

Health

Northern B.C. has a much lower dentist-to-patient ratio than the rest of the province, with approximately one dentist for every 2,600 persons (compared to one per 1,600 persons in the remainder of the province). Some Northern communities have no dentist at all, forcing residents to travel several hours to obtain dental care.

Training dentists exclusively in large cities places smaller or rural communities at a disadvantage when it comes to recruiting new dentists. If training facilities were established in Northern B.C., dental students would be drawn to the region. The immediate establishment of such a program is of critical importance for Northern B.C., and should be pursued with urgency to mitigate the impact of current and upcoming dentist shortages in the North.

Technical

Support for the development of programs that will improve the accessibility of required training and education in applied technical disciplines, particularly engineering, is required immediately in the North. The availability of the full range of specific technology and engineering programs at the post-secondary level is critical for ensuring that students in Northern B.C. receive the technical training that employers demand for a variety of economic activities, especially resource and manufacturing industries.

Support and funding for post-secondary certificate, diploma and degree programs based on identified technical labour shortages and future economic opportunities must be a priority going forward into the next decade.

Some of the most successful trades and technical career entry training is done at the high school level in Northern B.C. with the Northern Opportunities Program in the Northeast and the ACE-IT program in Prince George. These programs need to receive stronger implementation and expansion support throughout rural communities in the North given their strong track-record of increasing Grade 12 graduation rates, college enrolment and apprenticeship completion.

Research and Development

The University of Northern British Columbia (UNBC) is one of four research universities in British Columbia, and is among the most research-intensive universities in Canada. Research on the mountain pine beetle, local governance, indigenous languages, economic development, determinants of health, and climate change has made the university an important catalyst for community development and sustainability in the North.

Senior levels of government must support every opportunity for research, development and the commercialization of research developed in the North. The ability to commercialize the research at the university is important for future economic and community development in the North. An area for immediate attention is to provide further support for the creation of a Bio-Energy Centre of Excellence at UNBC to connect leading-edge research with promising or proven technologies and industry in Northern B.C.

COLLABORATIVE DECISIONS AND REVENUE SHARING

In order to ensure that the needs of Northern B.C. are fully met in terms of strategic investment areas, there will likely have to be two complementary streams of resource revenue sharing. The first stream would enable communities to make infrastructure investments that will facilitate economic growth, reinvest in infrastructure impacted by resource industry growth, and invest in amenities that are critical to improving quality of life. The second stream would be based on First Nations having a direct revenue connection to the wealth-creating capacity of the North.

Northern British Columbia

The North produces about two-thirds of provincial export wealth. Therefore, the region would benefit from a greater share of resource revenues than are currently being received. Our Vision for a "Northern Decade" is grounded in the proposition that a more defined revenue sharing stream for the North would assist with infrastructure, education and research and development to unleash further wealth creation that is in the provincial public interest.

A fair share of this wealth should be provided to communities in the form of unconditional funding to effectively compensate for the service and infrastructure costs associated with resource development activities.

The lack of adequate funding for necessary infrastructure investments has as much of an impact on community development as it does on economic development. It is difficult to attract management talent and skilled trades people when most Northern communities have fewer sports and cultural amenities than would be taken for granted at a high school in the Lower Mainland.

First Nations

Resource revenue sharing and collaboration with First Nations will result in a fairer share of the economic benefits of resource development in the North and help to grow and attract additional economic activity.

Involving First Nations in the economic development process may garner greater support from First Nations groups for resource projects, potentially making the difference for approval of environmentally sensitive projects and driving certainty, investment and profitability. Cooperation between First Nations, industry and the government holds the key to realizing the wealth-generating potential of the North.

The Province of B.C. has announced that it will engage in revenue sharing with First Nations on new mining projects, but the process for development of revenue sharing has not been established. While this decision to provide a royalty stream to First Nations is a bold step forward, the revenue share for First Nations must be confirmed, rather than decided on a project-by-project basis. In order for First Nations communities to participate fully in the province's economic and social progress, the revenue stream from mining must be operational as soon as possible.

Northern Economic Development

Northern Development Initiative Trust (Northern Development) and economic development agencies, such as Initiatives Prince George Development Corporation (Initiatives Prince George), Terrace Economic Development Authority, and many others have catalyzed significant investment made *in the North, for the North*.

Through Northern Development, Central and Northern British Columbia are feeling a greater sense of control over their economic future. Since its inception in 2005, Northern Development has committed over \$50 million to over 350 projects.

More than 14% of the projects funded by Northern Development, and a corresponding percentage of the outflow, are going to projects led by First Nations, above their relative population base in the North.

While Northern Development has been a veritable success, its regionalized decision-making structure cannot meet both the demands for catalytic investments in the North that are the priorities of communities, and be sustainable for future generations. There simply isn't enough of a capital base.

Initiatives Prince George has been at the forefront of catalyzing, coordinating, and communicating the role of Prince George within the New North. Fundamentally, as the largest city in Northern B.C., a strong Prince George makes for a strong region and vice versa.

Many communities and First Nations across central and northern BC struggle with economic development staffing and capacity to reach their economic potential.

There must be an increase in funding and decision-making capacity in the North in order for the region to fully realize its potential.

ENERGY POLICY

Available hydro power at a low cost has traditionally been a competitive advantage of Northern B.C., but that now seems to have disappeared in the eyes of large manufacturers. Long-term, low-cost power contracts are being used by other jurisdictions to lure away investment and jobs.

BC Hydro's current policy focus seems to be centered on energy conservation, which is a legitimate focus, but does not use power pricing and procurement policy as a tool for economic development.

To succeed, B.C. requires results-oriented power pricing, transmission infrastructure development, tendering conditions and revenue sharing which grow the economy in the North.

CONCLUSION

Investments in Northern B.C. must always be focused on the goal of enhancing the North as a knowledge-based resource economy connected to the world.

Northern B.C., in many respects, has a lower cost structure than the Lower Mainland because of our lack of congestion, lower industrial and residential land pricing. To enable competitive manufacturing and be a jurisdiction of choice for capital investment, there must be collective investments *in the North, by the North*.

What will drive the prosperity of Northern B.C. are hydro transmission, transportation, communications, education and research and development at UNBC that is linked to our resource-based economy. Taken together, strategic investments in these critical areas will help develop and bring-to-markets beyond our region our resource-intensive and value-added products to markets.

Finally, the Northern vision for prosperity requires resource revenue sharing with an effective and inclusive decision-making framework. It is Northern decision makers — from business, communities and First Nations — that will propel the next decade to be the “Northern Decade”, for the benefit of the whole province.

STRATEGIC RECOMMENDATIONS: NORTHERN BRITISH COLUMBIA – A VISION FOR PROSPERITY

1. Ensure resources and support for communities and First Nations to increase their economic development capacity and access highly-skilled site locator and industry attraction expertise focused on value-added manufacturing for the resource sector.
2. Harmonize bio-energy strategies and set targets and timelines regarding access to fibre, cost of fibre, and contract pricing for power.
3. Stimulate research and development, enact workable public policy frameworks, and support commercialization in the bio-energy sector.
4. Eliminate duplication of regulation, process and timelines associated with provincial and federal environmental assessments and project reviews.
5. Establish a Mining Commission with one-window approval, permitting and safety services in Northwest B.C. for the province.
6. Accelerate completion of the four-lane Cariboo Connector project on Highway 97 and define a realistic timeline and complete substantial improvements to Highway 16 by 2020.
7. Embark on technical and safety improvements to Highway 97 from Quesnel to Dawson Creek which will enable 5.3 metre (18 foot) high clearance for transporting large manufactured equipment between Central and Northeast B.C.
8. Invest in the expansion of the Fairview Container Terminal at Prince Rupert and investment in common user road, rail, and utility infrastructure at the Ports of Kitimat and Prince Rupert to facilitate the development of new bulk terminal(s) and a logistics park.
9. Support ongoing efforts to build a multi-modal transportation hub at Prince George including funding for the Boundary Road Connector project and support for the ongoing work of the local Air Logistics Park Task Force to secure policy and regulatory changes from the federal government to reduce supply chain friction and open up new trade, logistics, and light manufacturing opportunities.

10. Invest in Industrial Land Development and Arterial Road infrastructure associated with major industrial development opportunities in Prince George and the Terrace-Kitimat Corridor.
11. Complete the environmental assessment for the construction of a 287 KV Northwest Transmission Line from Terrace to Dease Lake, and announce a financing partnership strategy to proceed with providing electrical transmission to this resource-rich corridor to unleash new mine and green power development activity.
12. Construct the infrastructure to make cell phone and internet service seamless along all of Highway 97 and 16 and across the rural regions similar to Alberta's Hwy 2 – Edmonton to Calgary and install a redundant fibre-optic line connection from Central B.C. into the Northeast and over to Edmonton.
13. Expand education and training programs for health care professionals in the North, with dental professionals as the new priority to complement rural medicine once rural general practitioner and cancer treatment practitioner training is well established.
14. Build laddered technical and degree granting engineering faculties at Northern Colleges and the University of Northern British Columbia.
15. Support capital funding for trades and technical programming at the four northern colleges and expand entry level technical and trades programs in high schools.
16. Senior levels of government must support research, development and the commercialization of research developed in the North at UNBC, including the development of the New North foundation.
17. Implement resource revenue sharing to maintain a larger portion of royalties in the rural region to finance First Nations-Industry joint ventures, and maintain community infrastructure, such as transportation, amenities and downtown renewal projects and help communities reach their economic potential.
18. Apply successful policy frameworks from Ontario Hydro and Quebec Hydro on harnessing the power of green energy contracts to create manufacturing investment and jobs in rural regions where wind turbine or bio-energy investments will take place.

1.0 INTRODUCTION

Northern British Columbia is a region of immense promise and untold opportunity.¹ It is a region where life in perfect balance can be achieved: a full range of occupational opportunities with recreational, wilderness and outdoor opportunities are available that are simply second to none.

Northern British Columbia will be where B.C.'s economic future will be anchored. It is a region of boundless economic potential and a broad array of renewable and non-renewable natural resources. It is a region that continues to reach and understand that it must secure its own future. Over the past couple of decades, post-secondary education at University of Northern British Columbia (UNBC), the College of New Caledonia, Northern Lights College and Northwest Community college has increased the knowledge content of economic activities in the North. At the same time, the development of the Fairview Container Terminal at Prince Rupert, the third longest commercial runway in Canada, and government commitments to improve highway corridors, is connecting the North to the world as never before.

There is broad consensus across the North that a "Northern Decade" is necessary and that it is within reach. The North wants to build a *knowledge-based resource economy that is connected to the world*. This is our aspiration and our collective resolve.

Northern British Columbia's abundant natural resources are key sources of wealth for the province of B.C. However, as abundant and important as these natural advantages are, deliberate action and long-term vision are necessary to bring about the conditions for continued economic growth and sustainable development in Northern British Columbia for the benefit of all British Columbians.

Investment, innovation, and collaboration are essential to the realization of Northern British Columbia's vision for prosperity for the long-term.

Future economic and community development in Northern British Columbia will be built on the platform of four fundamental opportunities. They are:

1. Adding value to natural resources.
2. Growing the economic engine with strategic infrastructure investments.
3. Training and retaining a young workforce in rural and Northern British Columbia.
4. Collaborative decisions between local governments, First Nations and businesses on creating a positive climate for investment, certainty and sharing opportunities through regionalized resource revenue sharing.

The following paper discusses these opportunities and provides 19 strategic recommendations for their successful implementation. It is the contention of this paper that, as the Olympic decade draws to a close, the next decade must be the Northern decade if the province is going to prosper.

1.1 Northern British Columbia drives the provincial economy

The economic characteristics of Northern British Columbia differ significantly from those of the province as a whole. This vast geographic region comprises 70% of the

¹ For the purposes of this paper, Northern B.C. is defined as the northern 70% of the province, roughly from the community of 100 Mile House northward.

province's land mass, but only 7.7% of the province's total population.² However, this relatively sparsely populated region produces a disproportionately high share of the province's wealth.

With its abundance of natural resources, Northern British Columbia is a critical source of wealth for the province, generating significant benefits to the economy, both in the form of revenues paid to the provincial government and in the form of incomes earned by both individuals and businesses throughout B.C. Over the last decade, natural resource revenues have, on average, contributed 12% to total annual provincial revenues, with \$3.8 billion flowing into provincial coffers in the 2007/08 fiscal year alone. Of this total, forest revenues accounted for 28.8%, natural gas royalties made up 30% and other natural resources, including other energy and minerals, accounted for 41.3%.

It has been long understood that British Columbia's natural resources, and hence the province's resource-rich regions, are the engines of B.C.'s economy. Two-thirds of provincial export income is earned by the forestry, mining, fishing, energy and agricultural sectors;³ sectors which, to varying degrees, dominate the economies of Northern B.C. In 2007, international and interprovincial exports made up nearly half (48.3%) of B.C.'s total GDP;⁴ approximately one-third of B.C.'s GDP is thus derived from the province's natural resource sectors.

The Lower Mainland, despite being the most populous area of B.C., is overwhelmingly a service centre for resource-rich rural B.C., and predominantly a place of consumption rather than production.⁵ On average, the Lower Mainland exported \$9,781 per capita in 2001, while Northern exports per capita were valued at \$41,223; this is 157% higher than B.C.'s per capita exports, and 321% higher than the per capita exports of the Lower Mainland region of the province. The resource dependency of the metropolitan regions of the province is clearly evidenced by this gap.⁶

The metropolitan areas of the province depend on the export wealth that originates in the natural resource sectors of rural areas of the province. New emerging economies such as bio-technology, new media and other knowledge-based industries make a relatively small contribution to the provincial economy, and the survival of these industries is still largely dependent on economic activities generated by resources in the province.

Given that the majority of employment and business activity in the province is either directly or indirectly impacted by what occurs in natural resource sectors, these sectors must be encouraged and supported through strategic infrastructure investments and by policies that recognize the importance of these sectors to the provincial economy.

British Columbia's social and economic well-being is dependent on the wealth-generating capacity of the North, since natural resources play the dominant role in earning the money that ultimately pays for healthcare, education and social services. As such, the sustainability of communities in the resource regions of the province will affect the future sustainability of the entire province.

² Statistics Canada, 2006 Census.

³ 2001 estimate. Urban Futures Institute, "Regions & Resources: The Foundations of British Columbia's Economic Base."

⁴ BC Stats.

⁵ Vancouver Economic Development Commission, Benchmark Report.

⁶ Urban Futures Institute, Regions & Resources.

In order to facilitate the conditions for a stronger, more diverse and more resilient Northern economy, adequate strategies for diversification, development, and investment must be developed, and innovative ways of formulating policy for the North must be examined.

Northern B.C. Business Advantage: Affordable serviced industrial land

Northern British Columbia offers affordable serviced industrial land at less than 10% of the cost in the B.C. Lower Mainland or other major Canadian centres.

With minimal industrial land availability in the Lower Mainland, priced significantly above the average of comparable serviced industrial land across the North, the only feasible option for growth of heavy industry and light industrial activity in B.C. is for expansion into the northern 70% of the province.

With more than 37,000 acres of available industrial land in Northern B.C., including nearly 17,000 acres of industrial land available in the Kitimat-Terrace-Prince Rupert region and over 3,500 acres available near Prince George (including two large-scale areas within 30 minutes of the city), Northern B.C. has very high potential for the development of new heavy and light industry activities.

2.0 ADDING VALUE TO NATURAL RESOURCES

For decades, the economy of Northern B.C. has been predominantly focused on activities related to the extraction of natural resources, with only modest efforts made to diversify regional economies.

While significant wealth is derived from natural resources as these commodities move up the value chain, estimates have determined that economic activity in Northern B.C. contributes approximately \$11.3 billion, or 6.9%, to the province's GDP.⁷ By focusing mostly on the primary extraction, and ignoring the value that is gained from these resources through the production and export processes, these estimates understate Northern B.C.'s contribution to the provincial economy. At the same time, these estimates reflect the severe lack of value-added activities in the North that would enable it to retain a larger portion of the wealth derived from its natural resources, ultimately for the benefit of all British Columbians.

Continued over-reliance on primary industries without a parallel focus on strategies for diversification leaves Northern communities vulnerable and creates significant barriers to maintaining economic and community sustainability. Future economic development strategies must be focused both on extracting the maximum value from natural resources in the region and on creating the conditions for the development of new industries or innovation and growth of existing industries. This requires both policy innovation and focused investment on the part of senior levels of government.

⁷ 2007 estimate. BC Stats; Central 1 Credit Union, "B.C. Development Region Forecast: 2008-2010."

Key Recommendation:

1. *Ensure funding and support for communities and First Nations to access highly-skilled site locator and industry attraction expertise focused on value-added manufacturing for the resource sector.*
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2.1 Forestry and the emerging bio-energy industry

Given the incredible potential that still exists in relation to B.C.'s forest resources, efforts to support the transformation and growth of the forest industry must be pursued alongside the development of other natural resource industries. The development of the bio-energy sector is just one of the many opportunities that exist for the sustainability and diversification of forestry in Northern B.C. Innovations like this will not only facilitate the longevity of forestry and B.C., but will also make a contribution to meeting the energy demands of a growing population in B.C. and across North America.

The current state of the forest industry has created an opportunity for diversification within this industry. The past few years have seen the worst economic conditions in 50 years for loggers and lumber producers in B.C. The industry has been severely weakened by: the imposition of export taxes on cross-border shipments of softwood lumber, the mountain pine beetle epidemic, decadent forests with low saw-log recovery in the Northwest, the high Canadian dollar, the dramatic downturn in the U.S. housing market and the collapse of credit and commodity values. However, a transformation of the industry can occur.

The reinvention of the forest industry in B.C. requires a conscious effort on the part of decision-makers. The emerging bio-energy industry presents a major opportunity for Northern B.C.; the region's supply of forest biomass can be used to produce a clean energy supply to meet increasing demand, while meeting the goal of reducing carbon emissions. The bio-energy industry can create jobs in Northern communities, help diversify rural economies, and improve the health of the province's forests. However, the bio-energy industry will not develop to its full potential without the appropriate policy framework.

Key Recommendations:

2. *Harmonize bio-energy strategies and set targets and timelines regarding access to fibre, cost of fibre, and contract pricing for power.*
 3. *Stimulate research and development, enact workable public policy frameworks, and support commercialization in the bio-energy sector.*
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2.2 Mining, oil and gas

The mining and oil and gas industries have become increasingly important to the provincial economy in recent years, and have the potential to be key drivers of the Northern B.C. economy for decades to come.

Between 2003 and 2007, speculation about the potential for these industries generated nearly \$760 million in mineral exploration expenditures in Northern B.C.

and \$3.1 billion in sales of licenses and leases for Crown petroleum and natural gas rights in the province.

In 2007 alone, mining exploration expenditures in Northern B.C. totalled \$275.1 million, accounting for 66% of the provincial total.⁸ Exploration expenditures have increased by an annual average of 72% over the last five years,⁹ creating great potential for significant new developments in this industry in the North.

In 2007, there were five potential new mines under development in Northwest B.C., with \$385 million in exploration expenditures. In the same year, sales in Northeast B.C. made up nearly all of the provincial sales of petroleum and gas rights, totalling nearly \$929 million.¹⁰

The development of shale gas reservoirs in Northeast B.C. and increased production of high-value commodities such as coal, gold, copper and molybdenum in other areas of the North will contribute substantial financial wealth to Northern communities, which will facilitate further economic and social development.

Future developments related to mining and oil and gas in Northern B.C. could have significant economic benefits for the entire province. In this region, mining companies spent upwards of \$52 million in wages and salaries in 2007; an average of \$68,783 per employed person.¹¹ Growth of the mining industry would facilitate the creation of more high-paying jobs in Northern B.C., and would also result in significant growth in business income, for businesses both directly and indirectly involved in the industry. Increased mining activity would also have significant positive implications for natural resource and tax revenues to government.

In order to realize the full potential of the mining and oil and gas industries in Northern B.C., conditions must be established to ensure not only that mining and oil and gas exploration continues, but that exploration projects progress to the next level of development and operation. These conditions include both a favourable policy environment that supports industry development within the context of First Nations, and the available infrastructure to facilitate and support the growth of these and other diverse economic activities in Northern B.C.

It also requires senior levels of government to work together to eliminate all policy and procedural duplication in environmental assessment processes. In this connection, there are examples where duplicate federal environmental assessment and consultation processes are delaying mine development to the detriment of the creation of family-supporting jobs and wealth creation.

Key Recommendation:

4. *Eliminate duplication of regulation, process and timelines associated with provincial and federal environmental assessments and project reviews.*
 5. *Establish a Mining Commission with one-window approval, permitting and safety services in Northwest B.C. for the province.*
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⁸ B.C. Ministry of Energy, Mines and Petroleum Resources.

⁹ B.C. Ministry of Energy, Mines and Petroleum Resources.

¹⁰ B.C. Ministry of Energy, Mines and Petroleum Resources.

¹¹ PricewaterhouseCoopers, "The Mining Industry in British Columbia 2007."

3.0 GROWING THE NORTHERN ECONOMIC ENGINE WITH STRATEGIC INFRASTRUCTURE INVESTMENTS

Infrastructure investments in the North are critical to the future prosperity and sustainability of the region. Investments in Northern transportation infrastructure, including roads, highways, airports and marine ports, as well as investments in energy and communications infrastructure are required if Northern B.C. is to realize its full economic potential. Strategic investments must be made within a timeline that will make the next decade the Northern decade, triggering economic benefits for all British Columbians.

3.1 Transportation infrastructure

Investments in transportation infrastructure in Northern B.C. are critical to lowering the cost of doing business and to improve the environment for global investment in our resource base. Currently, highway infrastructure in Northern B.C. is drastically underdeveloped relative to the Lower Mainland. Despite the fact that highways in Northern B.C. are responsible for transporting wealth-generating resources from rural regions of the province into export markets, this infrastructure has been severely underfunded.

A commitment to build critical highway infrastructure that will move the economy of Northern B.C. to the next level of development and prosperity is required. Complete four-laning of Highway 97 from Cache Creek to Prince George, safety and technical improvements along Highway 97 north of Prince George to Dawson Creek, and the four-laning of Highway 16 to enable higher commercial traffic volumes are viable investment projects that offer a significant return on investment.

The significant impact that improvements to highway infrastructure can have on the development of industries has been proven in B.C. Decades ago, the \$848 million construction of the Coquihalla Highway opened up B.C.'s Southern Interior. The Coquihalla has become the foundation for a transportation network that has opened up the Thompson-Okanagan to markets across North America and the rest of the world.

The current \$600 million Sea-to-Sky highway project in the Lower Mainland is projected to create 6,000 new jobs throughout the province as a result of economic activity generated along the corridor, and increase provincial GDP by \$300 million over the period of 2010 to 2025.

While improvement projects for roadways in the North would have similar, if not greater, benefits to those in the Lower Mainland; these infrastructure projects have not been pursued with the same urgency as projects in the South.

There is, however, an urgent need to aggressively pursue the completion of the Cariboo Connector improvements, as well as other highways in the North. While the \$200 million first phase of the Cariboo Connector improvement project is currently underway, the remainder of the \$2 billion four-laning project has not been scheduled for construction.

While passenger vehicle traffic has grown along Highway 97 by 2.2 per cent between 2000 and 2007, larger vehicle and truck traffic has grown by 32 per cent, and is expected to continue to grow as new developments related to natural resources and transportation and logistics come on line. The failure to make the necessary investments in highways to meet increased demand on routes in Northern B.C. will constrain growth and development in the region.

The differences in economic characteristics between Northern B.C. and the rest of the province dictate that development must take a different path in the North than it has in the South. Unlike much of the infrastructure investments in the Lower Mainland, which were driven largely by population pressures, investment in the North must be undertaken in response to economic opportunities inherent to the region.

As mentioned in the previous section of this paper, the mining and oil and gas sectors represent the next great resource boom opportunities in the province. However, obtaining mine permits and natural gas licenses is futile without the transportation and transmission infrastructure in place to facilitate development within a reasonable cost structure. Growth in the mining and oil and gas industries requires safe, reliable and efficient four-lane trade highways and high quality resource roads that connect Northern B.C. with the rest of the province, Canada and international export markets through the region's international airports and marine ports.

Northern transportation infrastructure that includes resource roads, highways, airports and ports is also critical to the movement of manufactured goods that will promote growth and diversification within the province's manufacturing sector, and increase the province's GDP and revenue base.

B.C.'s position as Canada's Pacific gateway presents numerous possibilities for expansion of the manufacturing sector; however, the growth rate for the province's manufacturing output over the period 2003-2007 is behind the rates in every other province, except Ontario and the Northwest Territories.¹²

The increased transportation costs associated with roads which have height, width or load restrictions impact the profitability of firms and pose significant barriers to development in the North. Heavy manufactured goods such as compressor stations, hydroelectric and wind turbines, combines, pre-manufactured homes, drilling rigs and mining equipment should not have to travel out of Northern B.C. via Alberta and U.S. highways that do not have the same overhead obstructions or load restrictions as the Highway 97 Pine Pass does in B.C.

Because of this situation, Alberta has developed the manufacturing base for products like manufactured homes which could be produced more cost effectively in the wood-basket of Central B.C. where they could be transported partly assembled out of the region on a more efficient provincial route. The severe lack of investment in highway infrastructure has taken manufacturing opportunities away from Northern B.C. and placed them in Alberta.

And yet, a \$135 million investment upgrading seven overpasses and two bridges to a 5.3 metre clearance would pay for itself if B.C. companies captured just a 0.7% increase in market share from Alberta companies currently supplying the Northeast oil and gas and forest industries.

Improved infrastructure for transporting manufactured goods to external markets is critical to improving B.C.'s growth position for this industry. Given the province's geographical position, B.C. should be in a better growth position than the Prairie Provinces, especially considering the low cost of industrial land in the region that would be suitable for diverse manufacturing operations.

¹² Statistics Canada.

Prince Rupert and Prince George: The Northern Corridor Port and Transportation Hub Advantage

Prince Rupert: The Port of Prince Rupert offers strategic advantages for shippers and is quickly gaining an international reputation for reliability, efficiency and speed. About one-third (30%) of the containers that entered the Port from outside Canada left the port fully laden with exports.

Over its first year of operations, 300 direct and 400 indirect jobs were created and there was a 177% increase in throughput between the first month of operations in November 2007 and October 2008.

Building upon the existing bulk export terminals supporting Western Canadian mining and agricultural sectors, the new Fairview Container Terminal has already shown its strength as a key strategic gateway for the import of containerized goods from Asia. The \$600 million expansion of the terminal will increase the annual capacity of the port by four times by 2014. In addition, the expansion of logistic services at the gateway — providing shippers with greater flexibility and enhanced market access — offers opportunities for export industries across the region. A \$200 Million investment in rail, road and utility corridor at Ridley Island would further develop the port facilities and enable up to \$2 billion in investment by the sulphur, postash, coal, wood pellet, aggregate and logistics industries.

Prince George: Prince George has built a strong position as a transportation hub and the in-land gateway to Asia and the United States. During the past 18 months, the Prince George Airport Authority oversaw the completion of the third longest commercial runway in Canada, situated on a great circle route between Asia and the U.S. mid-west.

CN Rail also completed an inter-modal handling facility, marking the first step towards building a multi-modal hub at Prince George linking to the railway's north, south, east, and west rail connections in the city.

Prince George is poised for significant growth catalyzed by its strategic location and transportation assets. But, government support of local initiatives, including the Boundary Road Connector project, will be required. Federal regulatory and policy changes are also needed to decrease supply chain friction and to increase trade liberalization. Support for policies such as "open skies" and foreign trade zones will help enable new trade, logistics and light manufacturing opportunities.

With aggressive action, it is anticipated that the province will see an increase of \$76 billion in trade with Asia, and 255,000 new jobs in B.C. by 2020. Canada is expected to gain from an extra \$230 billion in trade with Asian countries.¹³ B.C. is strategically positioned as a global hub for trade between Asia and North America, and facilities like the Prince George Airport and the Ports of Prince Rupert and Kitimat are integral to the realization of the economic benefits associated with close trade relations with Asia.

¹³ B.C. Ministry of Technology, Trade and Economic Development.

Key Recommendations:

6. *Accelerate completion of the four-lane Cariboo Connector project on Highway 97 and define a realistic timeline and complete substantial improvements to Highway 16 by 2020.*
 7. *Embark on technical and safety improvements to Highway 97 from Quesnel to Dawson Creek which will enable 5.3 metre (18 foot) high clearance for transporting large manufactured equipment between Central and Northeast B.C.*
 8. *Invest in the expansion of the Fairview Container Terminal at Prince Rupert and investment in common user road, rail, and utility infrastructure at the Ports of Kitimat and Prince Rupert to facilitate the development of new bulk terminal(s) and a logistics park.*
 9. *Support ongoing efforts to build a multi-modal transportation hub at Prince George including funding for the Boundary Road Connector project and support for the ongoing work of the local Air Logistics Park Task Force to secure policy and regulatory changes from the federal government to reduce supply chain friction and open up new trade, logistics, and light manufacturing opportunities.*
 10. *Invest in Industrial Land Development and Arterial Road infrastructure associated with major industrial development opportunities in Prince George and the Terrace-Kitimat Corridor.*
-

Public-Private Partnership (P3) Opportunities

Whether focused on transmission, roads, ports, telecommunications, educational or health infrastructure, B.C.'s strategy of private-public partnerships (P3s) should be expanded in the North to accelerate the development of needed infrastructure. P3s are also beneficial because they transfer some risk away from taxpayers to the private sector partner.

Projects like the Northwest Transmission Line, and a B.C./Federal/CN partnership to increase the mobility of large equipment navigating Highway 97 should be priorities for Partnerships BC.

The stimulus spending announcements by the provincial and federal governments have a positive mix of tax cuts and an intended acceleration of major infrastructure development, while retaining health care and education budgets.

The B.C. government's commitment to accelerated infrastructure spending on projects that do not have long lead times is important, since the stimulative effect from capital spending is needed in the short term, not two to three years from now.

3.2 Energy and communications infrastructure

Improvements in energy infrastructure in Northern B.C., specifically Northwestern B.C., are critical to ensuring that this region of the province reaches its full development potential.

In the Northwest, the Highway 37 corridor from Meziadin Junction to Dease Lake is poorly served by unreliable and expensive diesel power which often fails, resulting in brown-outs to the service area. These power interruptions restrict rural communities and isolated regions from realizing their full development potential, by limiting the type of economic activities that can be pursued in the region.

New transmission infrastructure and hydroelectric power in the Highway 37 corridor would provide jobs and skills training during planning, implementation and construction, and would also open up new opportunities for high-paying jobs in mining, forestry, and power generation, while revitalizing existing industries in the Northwest.

A Northwest Transmission Line (see topic box on next page) would enable a significant contribution to the province's GDP and improve the standard of living for all British Columbians. As such, this transmission investment should be made by senior governments and it should not be tied to corporate cost sharing by the customer base — it is important to lower the costs of resource development to ensure that this development takes place. It is also advisable, to develop a public-private partnership (P3) model to amortize the pay back of construction costs as future mines and independent power projects tie into the system; but this should be developed as a secondary priority so that initial construction is not constrained.

The Northwest Transmission Line would also support the provincial government's climate change priority by decreasing reliance on diesel-electric power generation for industry and communities in the North. This project must undergo immediate environmental assessment and achieve permits north to Dease Lake over the next two years, so that the line can be constructed as commodity prices improve and mines are permitted and financed for development.

The proposed Enbridge Northern Gateway Pipeline Project is also an important project that will provide short-term job creation and long-term market access for gas destined for overseas markets from Alberta and B.C. This project is in the public interest from the perspective of enabling further growth of Alberta and B.C. gas development.

Full communications connectivity is also critical to helping Northern B.C. communities reach their full social and economic potential. Currently, 92% of British Columbians have access to high speed internet;¹⁴ the 8% of British Columbians who do not are located mainly in the rural areas of the province. Lack of internet connectivity leaves residents of Northern B.C. unable to access new educational, health care and other technological services, such as distance education and remote medical diagnosis, and unable to participate in the global knowledge-based economy. Lack of connectivity creates barriers to business development as well, by reducing productivity and by preventing rural enterprises from advertising on the internet and expanding into export markets.

Improved connectivity will encourage revitalization of rural communities by giving the people living in those communities the ability to develop both socially and

¹⁴ Network BC.

economically, by improving health and education outcomes and expanding economic activity and opportunities. Every rural and remote community in B.C. must be provided with the opportunity to develop and maintain the necessary information and communications technology capacity, which includes both the infrastructure and the skills required to make use of it. This opportunity is a strategically important economic development driver for the region, particularly for rural and remote communities in Central and Northern B.C.

The government of B.C. and various partners have made financial commitments to connect First Nations communities and other rural areas of the province, and this commitment to bridging the digital divide must continue. To help bridge the divide for First Nations, the provincial government is providing \$22.5 million for broadband connectivity, which is vital for all First Nations communities to increase participation in the economy and to also enjoy the benefits to health and education that will result. Initiatives such as this are critical to the future prosperity of the Northern B.C. economy, and investments must continue to be made until residents in every part of B.C. are fully connected.

Northwest Transmission Line

The proposed Northwest Transmission Line (NTL) is a 517 km 287 KV transmission line from Terrace to Dease Lake. The NTL has the potential to be a catalyst for the development of many mines and independent power projects providing 'green' water, wind, bio-energy and geothermal-generated power. It will be a key driver of regional municipal and service industry growth, First Nations employment, and will revitalize the tourism sector by dramatically lowering costs for lodges that currently access diesel-generated power. Both Alaska and the Yukon have expressed strong interest in accessing the North American transmission grid through this infrastructure development.

The report, *Delivering Green Power to Northern British Columbia* by Macquarie Capital Markets Canada Ltd. and published by the Northwest Powerline Coalition, shows enormous potential benefits of a Northwest Transmission Line.

The report cites ten potential mining projects and estimates that the power line has the potential to attract more than \$15 billion in investment, create over 10,000 jobs and generate \$300 million in annual tax revenues to governments. The carbon emission reductions attributable to the power line are 20% of B.C.'s 2020 reduction target of 33%. The project would save up to 3.7 million tonnes of CO₂ annually by replacing the current diesel generation, which is the equivalent of taking 629,000 automobiles off the road.

Over 32 hydro and wind power generation projects including the Forest Kerr project currently being developed by Alta Gas will utilize this transmission infrastructure generating over 2,000 megawatts of electricity with a capital cost of \$4 to 5 billion, annual revenues up to \$600 million and annual tax proceeds of \$50 to 60 million.

The Northwest Transmission Line has the support of miners, independent power producers, First Nations, 40 B.C. municipalities and southeastern Alaska boroughs in the grass roots based 'Northwest Powerline Coalition'.

While increased broadband capacity is critical to community and economic sustainability in the North, it is also vitally important to have a redundant fibre optic line. This would improve the reliability of communications systems in the North and enhance the profitability and feasibility of new developments in the region. It will be impossible to build logistics capacity, new transportation investments or other industry activities in the northern corridor if existing communications systems can be interrupted with a single minor event, such as a landslide or fire. Investments in new and redundant fibre optic infrastructure must be made in the North; additional fibre optic systems are required to maintain critical communications connectivity for the Port of Prince Rupert, while connecting Prince George through the Northeast and into Alberta to Edmonton.

Key Recommendations:

11. *Complete the environmental assessment for the construction of a 287 KV Northwest Transmission Line from Terrace to Dease Lake, and announce a financing partnership strategy to proceed with providing electrical transmission to this resource-rich corridor to unleash new mine and green power development activity.*
 12. *Construct the infrastructure to make cell phone and internet service seamless along all of Highway 97 and 16 and across the rural regions similar to Alberta's Hwy 2 – Edmonton to Calgary and install a redundant fibre-optic line connection from Central B.C. into the Northeast and over to Edmonton.*
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4.0 TRAINING AND RETAINING A YOUNG WORKFORCE IN RURAL AND NORTHERN BRITISH COLUMBIA

Improving skills development and training opportunities available to the population in Northern B.C. is critical to the future sustainability of Northern communities. Economic growth through the attraction of new business activities depends heavily on the ability of a community to provide a labour force with the unique skill sets required for diverse economic activities. Moreover, the services and amenities that accompany diverse economic activities both require and often facilitate the attraction and retention of a vibrant, skilled and productive population. Given the importance of a strong knowledge base to the development of the economy and communities in the North, building the capacity to strengthen the knowledge base in Northern B.C. communities is an essential priority for the next decade. Particular sectors requiring training and retaining include health care, technical fields, and research and development.

4.1 Health

Among the programs needed in the North is a program to train dental professionals in Northern communities. Of the total dentists who practice in the province of B.C., only 5% practice in the North.¹⁵ As a result, Northern B.C. has a much lower dentist-to-patient ratio than the rest of the province, with approximately one dentist for every 2,600 persons (compared to one per 1,600 persons in the remainder of the

¹⁵ 2001 estimate. BC Work Futures.

province). Some Northern communities have no dentist at all, forcing residents to travel several hours to obtain dental care.

Even in communities in the North that do have dentists, wait times can be several months to a year or more, which severely compromises the dental care available to residents. This situation is exemplified in Fort St. John: despite having one of the highest per-family incomes in Canada, it has the lowest dentist-to-patient ratio in B.C. (1 per 3,237). This ratio could worsen in coming years, with expanded economic activity related to oil and gas activity and the potential construction of the Site C Dam that would require thousands more workers in the region, if it proceeds. With the imminent retirement of 7 of the 18 dentists in the Peace Region, this area will be severely underserved.

Every year, the University of British Columbia (UBC) in Vancouver graduates approximately 40 dentists; most settle in Vancouver or in other major metropolitan areas, with very few establishing themselves in rural practice. Training dentists exclusively in large cities places smaller communities at a disadvantage when it comes to recruiting. If training facilities were established in Northern B.C., dental students would be drawn to the region and would experience its benefits and quality of life. The success of other health care training programs in the region has already illustrated that when you train in the North, you tend to "retain" in the North.

UNBC's School of Nursing and Northern Medical Program have been fundamental to meeting the critical need for health care professionals in Northern and rural communities. Surveys of graduates from nursing programs at UNBC reveal that nurses have the highest retention of all UNBC programs, with 80-90% of all graduates remaining in Northern B.C. This reflects the significant number of nursing graduates from Northern B.C. that, given the opportunity to be educated in the region, have chosen to remain in the region after graduation.

The clear relationship between where students are trained and where they locate upon graduation is also reflected in the growing number of Northerners and Aboriginals entering medical school since the Northern Medical Program was established. Recently, the Northern Medical Program received a national award from the Society of Rural Physicians of Canada for producing rural doctors at the highest rate in the society's 16-year history. In 2008, 58% of Northern Medical Program graduates were placed in rural residencies.

Encouraged by the success of the program, dentists and community leaders in Northern B.C. are strongly supportive of a partnership with UBC and the Northern Health Authority that would establish a program to train third and final-year UBC dental students in the North. The immediate establishment of such a program is important for Northern B.C., and should be pursued with urgency to mitigate the impact of current and upcoming dentist shortages.

Key Recommendation:

- 13. Expand education and training programs for health care professionals in the North, with dental professionals as the new priority to complement rural medicine once rural general practitioner and cancer treatment practitioner training is well established.*
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4.2 Technical

The current and anticipated shortage of skilled workers in technical fields across Canada is of great concern for Northern B.C. Less populated regions may be confronted by potential out-migration of skilled labour as persons with sought-after skills are lured to larger communities. This prospect highlights the importance of improving technical training capacity in Northern and rural regions. This includes increasing the skill level in the existing population and improving attraction and retention rates among people who want to obtain a technical education in the North. Creating greater capacity for training will secure a stable supply of skilled labour in the North, which will have a positive impact on economic and community development.

The availability of the full range of specific technology and engineering programs at the post-secondary level is critical for ensuring that students in Northern B.C. receive the technical training that employers demand for a variety of economic activities. Without the availability of these types of education, the skills gap in this area will be perpetuated and this will limit opportunities for growth and diversification.

A greater availability of technical-based programs in the region would give Northern students the chance to pursue their education in technical fields, which would eliminate the current skills gap and open the door for further diversification in the region, as new knowledge-intensive activities emerge. Now is the time to increase interest in, and awareness of, specific technology and engineering programs and to ensure that these program options are available at post-secondary institutions in the North. Support and funding for post-secondary certificate, diploma and degree programs, based on identified technical labour shortages, must be a priority going forward into the next decade.

A significant success story in the North is the positive impact that entry level trades and technical training at the high school level (Grades 11 and 12) is having on retention and graduation rates. The Northern Opportunities Program, a partnership of Northern Lights College, three school districts, industry and the Northern Development Initiative Trust have seen 350 apprentices graduate in just 3 years. It is now expanding so that students can start training for careers in early childhood education, health sciences, recreation, business education, and visual and graphic arts at the high school level. This successful program needs to be replicated across rural B.C. as a fundamental change to our education system that increases graduation and retention rates.

Key Recommendations:

14. *Build laddered technical and degree granting engineering faculties at Northern Colleges and the University of Northern British Columbia.*
 15. *Support capital funding for trades and technical programming at the four northern colleges and expand entry level technical and trades programs in high schools.*
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4.3 Research and Development

The University of Northern British Columbia (UNBC) is one of four research universities in the province, and is among the most research-intensive universities in Canada. UNBC has become an important resource for the North, with its research focus on social, economic, environmental, health and cultural issues. UNBC's research on the mountain pine beetle, local governance, indigenous languages, economic development, determinants of health, and climate change has made it an important catalyst for community development and sustainability in the North.

UNBC is also establishing itself as a centre of excellence when it comes to health and quality of life issues among rural, remote and northern populations. This includes a leadership position in health demographics, rural nursing, and the application of telemedicine and advanced informatics for improved rural health care delivery. The Northern Medical Program will lead to the development of a collaborative research program around community, First Nations, environmental, and northern health. This research will provide the basis for health sciences programs at UNBC and for improvements in northern health care practices, which will be critical components for the prosperity of the province over the next decades.

Research activities at UNBC have also been essential for making the most of opportunities that have emerged from the mountain pine beetle epidemic in Northern B.C. Research establishing new uses for trees killed by the pine beetle is important to the environment and the economy of the region. For example, the ability to use wood to produce concrete provides an alternative wood product that complements the production of lumber, plywood, and wood pellets. Wood concrete is a diverse product that allows the forest industry to expand into new markets. The maximization of each tree is vital to the forest industry and Northern communities.

The ability to commercialize the research at the university is important for future economic and community development in the North. Research partnerships with the private sector and public agencies have strengthened UNBC's role as a resource for Northern communities, but these partnerships must be developed further. In 2007, the university attracted \$14.3 million dollars in research funding, but continued and increased funding is a critical element to ensure that the full benefit of the university's research capacity is realized.

Currently, more than 98% of federal research funding brought to B.C. goes to metro Vancouver and Victoria, even though those two cities have about 60% of the provincial population. Corporations, communities and UNBC are currently exploring the development of a 'New North Foundation'. The Foundation, possibly modeled on the Canada West Foundation, would play a critical role in enabling Northern researchers and their colleagues across Canada to tackle practical community and resource industry challenges (e.g., the treatment of acid based mine waste, and the environmental monitoring of oil and gas development, and transportation).

Key Recommendation:

- 16. Senior levels of government must support research, development and the commercialization of research developed in the North at UNBC, including the development of the New North foundation.*
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5.0 COLLABORATIVE DECISIONS AND REVENUE SHARING

In order to ensure that the needs of Northern British Columbia are fully met in terms of strategic investment areas, there will likely have to be two complementary streams of resource revenue sharing. The first stream would enable communities to make infrastructure investments that will facilitate economic growth, reinvest in infrastructure impacted by resource industry growth, and invest in amenities that are critical to improving quality of life. The second stream would be based on First Nations having a direct revenue connection to the wealth-creating capacity of the North.

5.1 Rural British Columbia

Rural B.C. deserves a greater share of resource revenues to reflect their contribution to the provincial economic base and to help enable further economic development. Resource revenue sharing is the key to development and sustainability in the province and, as such, must become a major policy priority moving forward.

In addition, a fair share of this wealth should be provided to Northern communities in the form of unconditional funding to effectively compensate for the service and infrastructure costs associated with resource development activities.

The lack of adequate funding for necessary infrastructure investments has as much of an impact on community development as it does on economic development. It is difficult to attract management talent and skilled trades people when most Northern communities have fewer sports and cultural amenities than would be taken for granted at a high school in the Lower Mainland.

Resource revenue sharing and collaborative decision making are not revolutionary; innovative decision making concepts in the North have shown themselves to be successful in the past. In 2005, the Peace River “Memorandum of Understanding” renewed the “Fair Share Memorandum of Understanding” between the Province and the Peace River Regional District, acknowledging that communities in this region were not receiving what ordinarily would be their municipal industrial property tax base. The agreement was designed to help address economic development and regional infrastructure needs by returning a portion of the revenues generated for the province in the region.

The Memorandum of Understanding provided for a one-time payment of \$35 million to the Peace River Regional District and \$5 million to Fort Nelson for a local infrastructure investment fund. The fund was for the general purpose of addressing historical infrastructure deficits in the region. The agreement will provide annual payments, which began with \$20 million in the first year, based on changes in the rural industrial assessment base, until the year 2020.¹⁶ This agreement has given municipalities in the region access to additional revenue that has been used to provide new facilities and the necessary improvements to existing road infrastructure. This funding arrangement will be a key catalyst for continued investments in the region that will facilitate economic development and diversification.

Federal Gas Tax grants administered by the Union of BC Municipalities are also favourably received by local governments. Grants are allocated by population and can be used for projects which reduce greenhouse gas emissions, and contribute to cleaner water and air, without labour and time intensive proposal writing. Annual reports detailing project outcomes provide accountability for expenditures.

¹⁶ Government of British Columbia.

5.2 First Nations

Northern B.C. is also unique to the rest of the province in that 17.4% of residents are of First Nations descent, compared to only 4.8% in the province as a whole. First Nations communities tend to have more significant economic and social challenges than other communities, meaning that this demographic characteristic poses an even greater developmental challenge for Northern B.C. Resource revenue sharing and collaboration with First Nations will result in a fairer share of the economic benefits of resource development in the North and help to attract additional economic activity.

The benefits of revenue sharing with First Nations have already been evidenced through the private sector agreement established between Copper Fox Metals, in connection with the Schaft Creek copper-gold-molybdenum deposit in Northwest B.C., and the Tahltan First Nation. This agreement has provided access to financial resources that have enabled the Tahltan First Nation to engage in cultural activities and other educational opportunities, including language preservation and scholarships. The agreement has also created contracting and sub-contracting opportunities for Tahltan businesses, as well as employment and training for all members of the Tahltan Nation, ensuring full First Nations involvement and leadership.

First Nations involvement in the economy will also have substantial benefits for additional resource development in the North. Achieving mine permits is pointless without a resource revenue sharing framework that allows First Nations to participate in joint ventures that will create full employment and wealth in Northern communities. Involving First Nations in the economic development process may garner greater support from First Nations groups for resource projects, potentially making the difference for approval of projects. This in turn could drive certainty, investment, and profitability in resource-rich B.C.

Cooperation between First Nations, industry and the government is the key to realizing the wealth-generating potential of the North for the benefit of all British Columbians.

The provincial government has announced that it will engage in revenue sharing with First Nations on new mining projects, but as of yet the process for development of revenue sharing has not been established. While this decision to provide a royalty stream to First Nations is a bold step forward, the revenue share for First Nations must be confirmed, rather than decided on a project-by-project basis. To enable the participation of First Nations communities, the revenue stream from mining must become operational as soon as possible.

Resource revenue sharing will be a catalyst for economic development and diversification in the North. The Fair Share Agreement with Peace Region local governments and revenue sharing agreements with First Nations are excellent examples of resource revenue sharing models; these types of revenue sharing agreements must be established for all regions and communities in the North.

Concentration of decision-making in Northern B.C. will facilitate more efficient use of funds, by improving the accuracy of determining what investments and services are absolutely critical for the North, and which are extraneous. Improved decision-making capacity in the North will help to eliminate spending on ineffective projects and programs, and will facilitate greater efficiencies in service delivery and management, and concentrate investments where they are needed. Within a concerted policy to retain resource revenues and decision making in the resource base of the province is the structuring of a dedicated stream from resource revenues

to funding diversification opportunities through successful organizations like the Northern Development Initiative Trust.

Key Recommendations:

17. Implement resource revenue sharing to maintain a larger portion of royalties in the rural region to finance First Nations-Industry joint ventures, and maintain community infrastructure, such as transportation, amenities and downtown renewal projects and help communities reach their economic potential.

6.0 ENERGY POLICY

Recently, Central and Northwest communities have seen a number of capital, energy and job-intensive manufacturing industries — like solar panel or wind turbine manufacturing — establish plants in Quebec rather than B.C. All of these industries had intensive power needs associated with them.

Available hydro power at a low cost has traditionally been a competitive advantage of the North, but that now seems to have disappeared in the eyes of large manufacturers. Long-term, low-cost power contracts are being used by other jurisdictions to lure away investment and jobs.

BC Hydro's current policy focus seems to be centered on energy conservation, which is a legitimate focus, but does not use power pricing and procurement policy as a tool for economic development. BC Hydro does not offer large-scale tenure opportunities, long-term fixed price power contracts, price certainty, or requirements for regional procurements, economic impact and job creation as a part of the bid evaluation. This sort of policy direction in Quebec has just resulted in over 1,000 jobs and \$3 billion capital spending on 2 windblade and wind-tower plants in rural Quebec. It has also resulted in a 400-job Norwegian polysilicon plant announced in August 2008 for Quebec rather than the alternative sites in Northern B.C.

Between BC Hydro's mandate for low-cost power and BC Transmission Corporation's discounting any northern Independent Power Projects (IPP) proponent rates to cover the cost of transporting power to the south, over 70% of all IPP projects in the north are not being built,

Northern communities are at a geographic disadvantage to market when competing for manufacturing jobs, and BC Hydro pricing and regional procurement policies need to level the playing field with other Canadian locations. When former B.C. Premier W.A.C Bennett built hydroelectric dams in the North, it was a tool for economic development.

Today, it will be results-oriented power pricing, transmission infrastructure development, tendering conditions and revenue sharing that will grow the Northern economy.

Key Recommendation:

18. Apply successful policy frameworks from Ontario Hydro and Quebec Hydro on harnessing the power of green energy contracts to create manufacturing investment and jobs in rural regions where wind turbine or bio-energy investments will take place.

7.0 CONCLUSION

Investments in Northern B.C. must always be focused on the goal of enhancing the North as a knowledge-based resource economy connected to the world.

Northern B.C., in many respects, has a lower cost structure than the Lower Mainland because of its lack of congestion, and lower industrial and residential land pricing. To enable competitive manufacturing and be a jurisdiction of choice for capital investment, there must be collective investments *in the North, by the North*.

What will drive the prosperity of Northern B.C. are hydro transmission, transportation, communications, education and research and development at UNBC that is linked to our resource-based economy. Taken together, strategic investments in these critical areas will help develop resource-intensive and value-added products and bring them to markets beyond our region.

Finally, the Northern vision for prosperity requires resource revenue sharing with an effective and inclusive decision-making framework. It is Northern decision makers — from business, communities and First Nations — that will propel the next decade to be the “Northern Decade”, for the benefit of the whole province.