

Self-Imposed Uncertainty Clouds Major Projects Outlook



Chris Gardner
ICBA President

Our current success in advancing major projects – ones that leverage our key resources, talent and expertise to efficiently move goods and people – is an excellent indicator of our future economic

prosperity. And performance is mixed at best on this measure for B.C. and Canada.

Site C is progressing well towards completion, with all the immediate and long-term benefits that entails. Project detractors, including the NDP government, came close to bringing this clean energy project to a halt, but their

objections are being put to rest with each new milestone reached.

On LNG, we're under-performing on our full potential, but can celebrate the fact that LNG Canada is well underway. Its large socio-economic benefits here at home will be complemented by its contribution to global carbon reductions.

But moving down the list, things become less certain.

The Trans Mountain Expansion Project is the last hope to get more Canadian oil products to tidewater, but remains plagued by legal and political uncertainties. Major transportation projects have the advantage of very strong public acceptance, but are proceeding at a much slower pace and smaller scale than they should in B.C. due to NDP government mismanagement and regulations.

So while there are some bright spots, we're struggling with major project and infrastructure investment. And that is no doubt a major factor behind the worrying capital flight we've been seeing – with foreign direct investment outflows from Canada outpacing inflows by large margins since 2015.¹

We also now face the added impacts of onerous new federal environmental assessment rules, and a national political landscape where anti-development forces have a stronger position. It's not the best outlook as we close off the year. But ICBA will certainly remain at the forefront of the push for fewer self-imposed and counter-productive hurdles, and for smoother major project pathways in 2020.

¹ Jack M. Mintz, Financial Post, May 29, 2019

Site C Clean Energy Vision Proceeding Well

The Site C Clean Energy Project remains B.C.'s single largest construction worksite and is progressing well towards a 2024 in-service date. It will provide 1,100 megawatts of dependable electricity capacity, and play a key role in enabling B.C. to meet its ambitious electrification and climate change-related targets.

Source: BC Hydro

Site C – Status Snapshot

North & South Cofferdams	Complete	✓
Substation	Nearing Completion	✓
Diversion Tunnels	Expected Completion Early 2020	✓
Turbines & Generators	Manufacture & Shipment Ongoing	✓
Employment on Site (as of September 2019)	4,790 (>75% from B.C.)	✓
Recent Milestone	Concrete placements (upper spillway buttress) completed 7 months ahead of schedule	✓

Getting our Energy Resources to Market

LNG Canada 'Firing on all Cylinders'

Remember when more than 20 LNG proposals were jockeying to get out of the starting gate in B.C.? A lot of that potential has fallen by the wayside. But one major project – LNG Canada, and the associated Coastal GasLink pipeline – is being built. Recently dubbed “the only energy megaproject in Canada firing on all cylinders,” LNG Canada has transformed Kitimat into “Canada’s next boom town”.

Capital Value:

\$40B

More than

\$1B

contracts and procurement
to B.C. companies to date

Proportion of workers from LOCAL AREA:

~Half

1,000

WORKERS on-site now
(early-phase work)

UP TO 7,500

TOTAL PROJECT EMPLOYMENT
during peak construction

300-450
PERMANENT JOBS
when operations start in 2025

“It’s definitely buzzing. The hotels are full, there’s another brand new hotel that’s being built.

There’s a brand new 35-unit townhouse development being done.” – Kitimat Mayor Phil Germuth

There are strong hopes for a final go-ahead on the smaller Woodfibre LNG project near Squamish later this year. The Haisla First Nation-led Cedar LNG proposal near Kitimat is also well advanced, but will be one of the first projects forced to run the gauntlet of the new federal environmental assessment process (see next page).

Sources: Business in Vancouver, November 12, 2019; Globe & Mail, November 15, 2019; LNG Canada

Trans Mountain Pipeline: Still Under Threat

Of several fully developed proposals to link Canadian petroleum resources to new markets, only the Trans Mountain Expansion Project remains standing – although it has had to be propped up by public ownership. It has been approved by the federal government twice and shovels are in the ground. But TMX isn’t fully out of the woods – with continued court challenges, a still-hostile B.C. NDP government, and uncertainty about the minority federal government’s determination to stick to “yes” on this project.

37,000

TOTAL EMPLOYMENT
expected to be created during operations



\$4.5 BILLION

Public dollars spent to acquire TMX

THREE

INDIGENOUS GROUPS
with interest in TMX ownership:
Project Reconciliation, Iron Coalition
& Western Indigenous Pipeline Group

FOUR

OUTSTANDING LEGAL CHALLENGES
to TMX approval in Federal Court

Multiple

LEAVES TO APPEAL
being sought to Supreme
Court of Canada

59

SEATS HELD IN PARLIAMENT
by parties vowing to STOP TMX

Sources: Media coverage

'No More Pipelines': New Hurdles for Future Development

Widely referred to as the "No More Pipelines" law, the recent revamp of the federal environmental assessment process (Bill C-69) puts even more hurdles in the way of project approval. Among the new and heightened challenges it creates:

Repeated opportunities to "stop the clock" on review

Broad scope for activist participation and obstruction

Questionable assessment criteria, such as "intersection of sex and gender with other identity factors"

Requirements to consider carbon emissions beyond those in the project proponent's control

Low threshold for adverse effects (no "significant" qualifier)

Photo: @alysaledesma7

"Bill C-69 will exacerbate the ongoing issues of regulatory uncertainty and protracted timelines that currently exist [and] which are seriously impairing Canada's ability to attract investment." – Analysis from Osler law firm

A Legislated Blockade on Coastal Exports

In the near-miraculous event that added oil pipeline capacity was approved and built, a large swath of the B.C. coast would be off limits as an export point. A very-narrowly passed bill (C-48) has banned large oil-transporting ships between northern Vancouver Island and Alaska – creating a restriction that applies no where else along Canada's 243,000 km coastline.

Number of oil **TANKER MOVEMENTS**
off Canadian coasts each year

~20,000

Canadian **PORTS & FACILITIES**
where most oil tankers are handled*

SEVEN

ANNUAL OIL TRANSPORTATION through
Great Lakes, St. Lawrence Seaway, and the
Estuary and Gulf of St. Lawrence

91 Million
TONNES

* Vancouver, Montreal, Quebec City, Saint John, Port Hawkesbury, Come by Chance, Nfld. Offshore

Source: <https://clearseas.org/en/tankers/>

Getting from Point A to Point B

Transportation infrastructure is probably the type of major project investment that has the most impact on our day-to-day lives. Sadly, it's also a file that the current provincial government is botching badly.



The BC CONSTRUCTION MONITOR is an ICBA publication providing ahead-of-the-curve information and statistics on the B.C. construction industry and issues relevant to it.

The Monitor draws on analyses and outlooks from various sources, and provides current and substantive insight. This regular publication is intended for industry executives, government decision makers, journalists and other opinion leaders.

You can receive the Monitor in print or digital formats, and let us know if you have colleagues who would also be interested in it. We also welcome your feedback and story suggestions. Please email us at info@icba.ca.

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Everybody's (Still) Stuck at Massey

The NDP government killed a ready-to-go 10-lane bridge replacement for the now-60-year-old Massey Tunnel – putting us back to square one and leaving drivers stranded in one of Canada's worst traffic bottlenecks. The government now plans to build a replacement tunnel, even though this option measures up worse than the original plan on nearly every metric.

The Original Bridge Plan	The NDP Tunnel Concept
10 LANES – 6 more than now	8 LANES – with new lanes reserved for transit
Was \$900 million UNDER BUDGET	NO BUSINESS PLAN or funding allocation
Would have been >HALF BUILT BY NOW	Will require years of study and assessment – COMPLETION DATE UNKNOWN
LIMITED FOOTPRINT AND HABITAT DISTURBANCE, LEAST COMPLEX ENVIRONMENTAL ASSESSMENT	SIGNIFICANT ENVIRONMENTAL IMPACT during construction and COMPLEX ENVIRONMENTAL ASSESSMENT

Sources: Government materials and media coverage

Union-Only Construction Delivers Less-for-More

The NDP has excluded the 85 per cent of B.C. construction workers who have chosen not to join a building trades union from working on large publicly funded projects. This raises huge issues of fairness and freedom, and ICBA is challenging this discriminatory policy in court. Meanwhile, by shutting out most of the competition and adding huge complexity to working on public projects, the NDP is driving up costs dramatically.



The Illecillewaet Project involves 2 km of Highway 1 widening near Revelstoke, and was the 1st contract awarded union only	Budgeted amount: \$62.9 million
	Contract award: \$85.2 million – 35% escalation
	Extra cost per km of work: \$11.2 million
Staff and administrative costs for new Crown corporation to enforce union-only contracting	32 staff – \$8 million annually

Sources: Government materials and media coverage

“Forget about ever getting a precise dollar figure for how much the NDP’s union preference is adding to the cost of taxpayer-financed construction... But on the strength of what the New Democrats have admitted so far, the tab must run to the tens of millions of dollars.”

– Vaughn Palmer in the Vancouver Sun, February 27, 2019