NORTHWEST BRITISH COLUMBIA
RESOURCE BENEFITS ALLIANCE

Fair Revenue Sharing For Northwest BC

January 23, 2017

Purpose

The Northwest is and has been a "have not" region. That, despite historically significant resource development in the region in a series of forestry and mining booms and busts. This resource activity has done little financially for local governments in the Northwest, but has placed significant service demands. The past five years provide the most recent example, with billions of dollars of investment in the region and significant associated provincial government revenues but municipalities and local governments struggling financially. The result is operating budget pressures leading to an inability to fully address service needs as well as an inability to make needed capital investments. In contrast, other areas of the province with significant resource developments have shared in provincial revenues which have given them capacity in terms of operating and capital budgets that the Northwest does not have.

The purpose of this report is to seek a fair revenue sharing solution for the region that is proportionate to the level of activity, provides the capacity to prepare for future development and leaves the region, when the boom retreats, with a legacy for the future.

Somehow, previous discussions about revenue sharing for the Northwest have resulted in two important misunderstandings:

1. The first misunderstanding is the erroneous perception that the RBA is focused on the potential impacts and revenues created by the LNG industry. In fact, the RBA believes that potential resource development associated with clean energy, mining and other industrial development in the region is at least as significant as potential LNG development in the region.
2. The second misperception is that the RBA is primarily seeking infrastructure funding to deal with a historical infrastructure deficit. The issue is much more fundamental than that. With the huge resource development potential for the region *whether or not there are significant LNG investments*, the RBA is asking for fair revenue sharing that will provide the region with the capacity to prepare for future development, to deal with the operating budget pressures that the development will bring, to pay local government's share of needed infrastructure spending and to ultimately will leave the region better off. Many Northwest municipalities do not have facilities that are taken for granted throughout BC, like paved roads, adequate recreational facilities and community sewer and water systems, but addressing that deficit will just be one benefit of fair revenue sharing, not its sole objective.

This report makes the case for revenue sharing for the Northwest by:

- comparing the Northwest with other regions from a local government perspective, including the impact of other revenue sharing arrangements,
- looking at recent activity and the effect it has had, using the impact on Kitimat and Terrace as a case study,
- examining the potential LNG and non-LNG major projects on the books, and
- providing estimates of the impacts expected in the Northwest from significant development, including local government operating and capital implications.

Background

The Northwest BC RBA was formed in 2014 for the purpose of developing a resource/development benefits arrangement with the BC provincial government. The RBA is comprised of all of the local governments in Northwest BC, covered by the North Coast Regional District (formerly Skeena Queen Charlotte RD), Regional District of Kitimat Stikine and the Regional District of Bulkley Nechako. It includes the three regional districts as well as the municipalities of:

- Burns Lake;
- Fort St. James;
- Fraser Lake;
- Granisle;
- Hazelton;
- Houston;
- Kitimat;
- Masset;
- New Hazelton;
- Port Clements;
- Port Edward;
- Prince Rupert;
- Queen Charlotte;
- Smithers;
- Stewart;
- Telkwa;
- Terrace; and
- Vanderhoof.

The RBA region is effectively the sum of two of BC's eight Development Regions: North Coast and Nechako.

While the RBA was given assurances by the Premier shortly after it was formed that the Province would enter into discussions with the RBA about revenue sharing, to date it has proven difficult to engage the provincial government in such discussions. The reason given has been that it would pre-mature to enter into discussion until significant investments in LNG plants have been made and provincial revenues have started to flow.

On December 2, 2016 the chairs of the three regional districts spoke by telephone to the Honourable Peter Fassbender, Minister of Community, Sport and Cultural Development. The chairs explained that they are not only concerned about LNG development but also other development, a significant amount of which has taken place over the past 5 years with much more in process. Capacity is needed not only to cope with increased demands once construction is complete, but to prepare for development and deal with the significant demands placed during construction of major projects. The unfairness associated with the fact that other regions with significant resource development share in provincial revenues while the Northwest does not was also pointed out. As a result, the Minister asked for further information, which is being provided by this report.

The Northwest is a "Have Not" Region

The Northwest economy has traditionally been based upon natural resource extraction, which has generated tremendous amounts of wealth for the Province but has a long history of boom and bust. There are four natural resource industries that have formed the economic foundation of the region.

Mining is distinguished by large-scale projects, often at remote locations band usually with life spans measured in years or decades. These projects have long lead times due to permitting processes and huge pre-operation investments, and production is dependent on fluctuating commodity prices, contributing significantly to economic booms and busts.

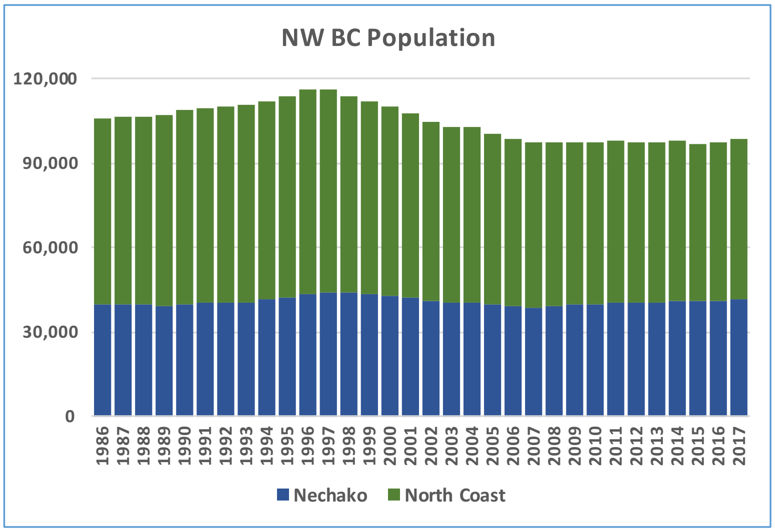
Forestry has been extremely important, with harvesting activity across the entire Northwest land base and traditionally a significant number of sawmills and pulpmills, generating significant stumpage and tax revenues for the province. Recently harvesting has been reduced due to mountain pine beetle induced timber supply reductions which has also led to a steep drop in sawmill and pulpmill capacity in the region. The renewed softwood lumber dispute with the US has introduced a new threat to the industry. Biomass clean energy projects represent an important new direction for the industry in the region. While the industry is currently in decline, as a renewable, sustainable resource, forestry is expected to continue to be economically important for the region in the long-run.

The commercial fishery is another traditional industry that has been in decline in recent years, and that has been subject to tremendous change due to fishery stock reductions, climate change impacts and regulatory action. While the industry is not expected to ever regain the relative economic importance it once had, the resource will continue to exist and be harvested, creating employment and wealth.

Hydro electricity has been and will continue to be an important resource industry in the Northwest, in terms both of contributions of power to the provincial grid as well as the use of power in refining aluminum. Hydro electricity is being increasingly augmented by other clean energy resources. A significant amount of economic activity in the region has been due to building new electricity transmission infrastructure.

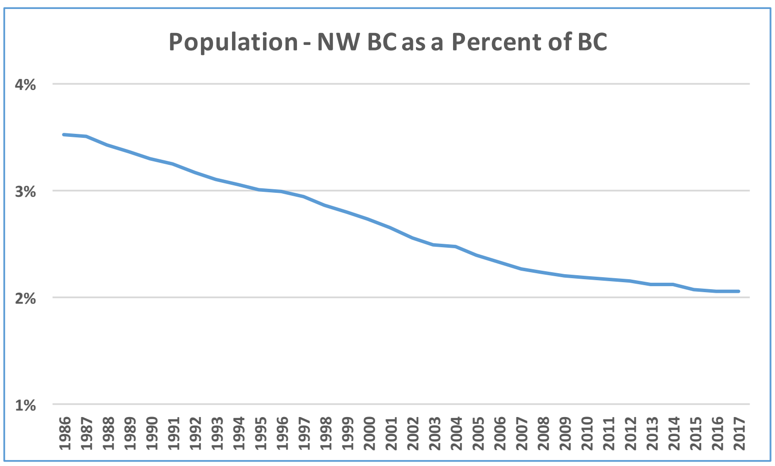
Northwest BC has a population in 2017 of about 98,000. While the population has grown slightly over the past decade, it is 15% below its maximum level achieved in 1996. Compared with the population of the province, the population of the Northwest has been shrinking steadily since 1986. Within the RBA region, the Nechako Development Region has seen relatively little population change while the North Coast Development Region has seen more significant population fluctuations.

Chart 1



Source: BC Stats

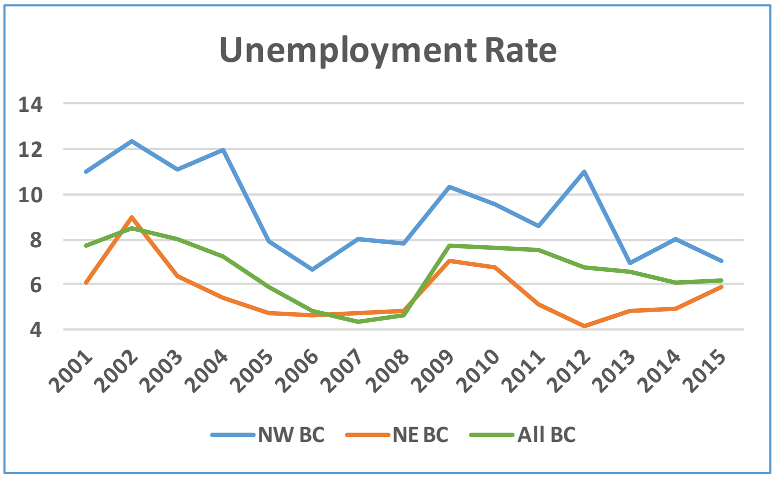
Chart 2



Source: BC Stats

The labour market in NW BC has lagged behind the rest of the province historically. On average since 2001 the unemployment rate in Northwest BC has been 9.2%, the worst of any BC Development Region. In contrast, the unemployment rate in the North East has been the lowest in BC on average at 5.6%.

Chart 3



Source: BC Stats

Northwest BC has less local government fiscal capacity than other regions of BC as well.

Table 1

	Per Capita Property Assessment	Per Capita Local Gov't Revenue
NW BC	125,430	2,348
NE BC	232,725	4,672
Kootenays	184,604	2,420
BC excluding Capital RD and Metro Vancouver	176,028	2,374
All BC	242,098	2,541

Source: Ministry of Community, Sport and Culture; BC Stats

Northwest BC has a significantly lower level of property assessment per capita than the rest of the province. While local government revenue per capita is close to the provincial average, it is significantly below the level in Northeast BC and somewhat lower than the Kootenays.

The result is that many local governments in the Northwest do not have the capacity to fund their share of cost shared federal and provincial infrastructure funding programs. Infrastructure maintenance, upgrading and replace are often deferred, which means that not only is aging sewer, water and other infrastructure used beyond its normal life, often infrastructure that is taken for granted in other communities does not exist. That includes paved roads in many places, sewer and water systems and recreational facilities. That is the infrastructure deficit that the Northwest region faces, but it is a deficit that is due primarily to an ongoing lack of fiscal capacity.

For example, in the period from 2009 to 2016, the North East Development Region received federal funding for infrastructure projects with a total cost of $229 million, compared to $160 million for the Northwest.[1] Federal infrastructure funding during this period was cost shared, typically with federal, provincial and local government contributions. With population that is 30% lower than the Northwest, the North East Development Region received funding for projects valued at almost twice as much per capita as the Northwest. It is believed that is due, in part, to the additional capacity created in the North East by their revenue sharing arrangement with the provincial government.

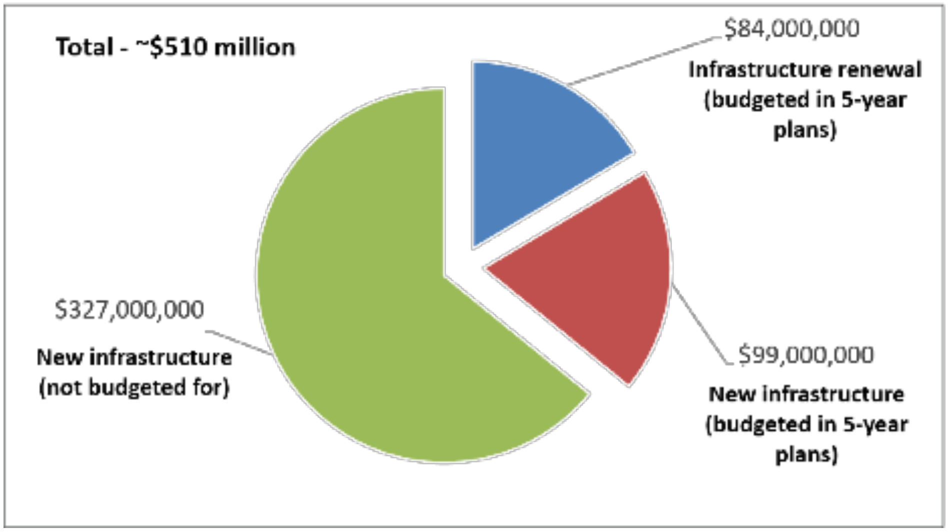
The two recent tweets from Fort St. John below demonstrate the situation perfectly. There is no local government in the Northwest able to spend over $17 million annually on roads, especially without touching tax revenues.

In 2015 the RBA surveyed its member local governments about their infrastructure needs. The results of that survey indicated that many of the local governments, while aware of needs for new infrastructure and infrastructural renewal, do not have engineering estimates of costs because they cannot afford to undertake long term asset management planning given the fact that their capital budgets for the foreseeable future are fully subscribed with just the most urgent projects.

In 2015, local governments in the RBA indicated that of $510 million in current estimated infrastructure needs, over 60% is not included in current 5 year plans. Even much of the infrastructure spending included in 5 year plans is unlikely to proceed because it is contingent on receiving grants, many of which will not be approved during the 5 year planning period.

[1] Infrastructure Canada Projects (http://infrastructure.gc.ca/alt-format/opendata/project-list-liste-de-projets-bil.xlsx)

Chart 4



The RBA recently asked its members to update this information. At present, the members estimate unfunded infrastructure needs are about $616 million, up from the $327 million estimated in 2015 and is in addition to already planned and funded infrastructure projects. This estimate continues to be conservative due to the lack of capacity for full asset management assessments and the fact that it does not include infrastructure needs that will arise from potential development.

In addition, Northern Health currently has priority infrastructure needs of about $800 million for Health Care Facilities and Residential Care infrastructure within the Northwest Region, which will be cost shared with Hospital Districts funded by property tax.

Significant Recent Development Activity

As shown in Table 2 and Appendix A, since 2012 about $13 billion in major project construction spending has occurred in the Northwest, across several industries.

As a result of these major projects, the provincial government has benefited from tax revenue generated during construction and the ongoing economic activity associated with the operation of the resulting assets over time. Using multipliers generated by the BC input-output model, it is estimated that the construction activity alone has generated about $480 million in provincial revenue. The operation of the assets generates substantial additional revenue every year. It should be noted that this does not include pre-Final Investment Decision preparatory work on potential LNG plant sites in Kitimat, Prince Rupert and Port Edward or substantial capital spending on projects that have subsequently been put on hold prior to completion. In Kitimat alone that is estimated to be about $500 million to date.

Table 2

Industry	**Capital Cost million)**
Manufacturing	5,350
Mining	3,615
Clean Energy	2,312
Ports and Transportation	1,457
Health Facilities	105
Total	**12,839**

Source: 2012 to 2016 Major Project Inventory Reports, http://www2.gov.bc.ca/gov/content/employment-business/economic-development/industry/bc-major-projects-inventory

Despite this significant economic activity in the Northwest region, local governments have not benefitted sufficiently in terms of increased revenue arising from the economic activity to cover increased service demands. The reason that this work has not translated into increased tax and other revenues is that much of the activity takes place outside of municipal boundaries or, in the case of the Rio Tinto expansion in Kitimat, the municipality has been unwilling to significantly increase the share of property tax levied on a single major industrial taxpayer (already paying 65% of municipal property tax).

A considerable proportion of the major project activity over the past 5 years has occurred in Kitimat and the corridor between Kitimat and Terrace. While Kitimat has borne much of the direct impact of activity in and near the municipality, Terrace as a regional service centre has also been affected. For that reason, the RBA has asked the two municipalities for an indication of what the impacts have been.

The District of Kitimat provided the following comments:

> From 2011 to 2015, Kitimat experienced a period of economic expansion as a result of the Rio Tinto/Alcan aluminum smelter modernization and preliminary work associated with liquefied natural gas and oil refinery proposals. During this period, we experienced a major influx of temporary workers who relied on the community for – and had a significant impact on – our housing market, services, and infrastructure.
>
> **Housing** – During the boom, our rental vacancy rate hit 0% and our average rental prices and assessed values increased by almost 2.5 times. Many could attest that Kitimat, like Terrace and Prince Rupert, experienced a housing crisis. The province stepped in and commissioned a Housing Action Plan for Kitimat in 2014, which was completed in 2015 and immediately implemented by District staff. Unfortunately, by this time, Kitimat was already experiencing significant affordability challenges.
>
> **Services** - Our local government services were stretched during the noted period. In order to keep up, the District of Kitimat had to increase its annual budget by approximately 25%. This increase was necessary for a number of reasons, one of which was to allow for added staffing to meet new and changing demands. One

example is the RCM Police, who reported a marked increase in crime in Kitimat during the noted period compared to previous years. Another example is the District's Community Planning & Development Department, which has tripled in size in order to handle the influx of development applications and inquiries, Kitimat's long-range planning needs and other demands.

Infrastructure – Kitimat's aging infrastructure, as well as that of the broader region, was stressed during the noted period. The condition of our main thoroughfare, Haisla Boulevard, as well as that of provincial Highway 37 between Kitimat and Terrace, deteriorated as heavy trucks and increased vehicle traffic used this route to access our heavy industrial (M1) lands. Our only bridge connecting our industrial area to Kitimat town site was also taxed during this period and proved to have inadequate capacity; being only two lanes wide, it resulted in long line-ups at peak periods and when heavy equipment, materials and wide loads were being transported to and from the industrial area.

In 2016, Kitimat started experiencing a correction in economic activity due to the completion of some major projects and the delay of others. Nevertheless, some of the impacts identified above, and others not specifically mentioned, are still being felt and are likely to be experienced again in the future when a major project is announced.

The City of Terrace indicated the following:

Being only 40 minutes down the Highway, Terrace experienced similar effects to Kitimat as a result of the Rio Tinto Alcan aluminum smelter modernization and preliminary work associated with LNG and oil refinery proposals in or near their community. We also had the construction of the Northwest Transmission Line that was based out of Terrace and a number of mining exploration projects and new mines being developed. This created an influx of workers who utilized our services. Although there were some camps associated with these projects they still had a significant impact on our housing markets and rents increased to the point where they were out of reach for many.

Housing – in the Spring of 2014 the rental vacancy rate hit 0.4% and average rental prices and assessed values increased by a factor of 2. Many low income residents in Terrace experienced a housing crisis. The city completed a Housing Needs Assessment in early 2014 and the province commissioned a Housing Action Plan which was completed in 2015. These studies identified significant housing gaps and pressures that many residents in Terrace were facing. The anticipated increase in demand for rental housing should an LNG Final Investment Decision (FID) occur would drive up rents and lower vacancy rates. This economic activity would also place pressure on the rising costs of market housing.

In 2017 there will be 75 units of affordable housing developed in Terrace through new construction and conversion. BC Housings support for these projects will see approximately $14M invested to address current demand. With an FID occurring the additional demand for affordable housing would require a further 165 units. It is expected that the development industry would react to an FID and provide needed additional market housing, the issue is affordable housing.

Services – Knowing that we had to do our best to prepare for the anticipated surge of economic development and related population growth the City invested a considerable amount of staff time and tax dollars to ensure our long-range planning documents were up to date. This included an update to the OCP, the Keith Estates Neighbourhood Concept Plan, a Parks & Recreation Master Plan, a Transportation Master Plan, DCC Scoping Study, Water Master Plan, Sewer Master Plan, and a Wastewater Treatment Plant Condition & Capacity Assessment. We increased our Development Services Planning staff by two FTEs to help manage the increase in development applications.

Infrastructure - A marked increase in vehicle traffic was evident in Terrace during the KMP and NTL projects. This impacted the safety of vehicle movement on the Sande Overpass which is part of the Highway 16 corridor through the community. There were already failing traffic movements at the intersection of the Sande Overpass and Keith Avenue in Terrace and the City raised the issue at UBCM in 2013 asking for improvements to be made. The Province did recognize the need and a project including lane enhancements and the installation of signals was completed in 2016. The additional challenge of road/rail conflict has also been a concern for the City for many years with the Sande Overpass being the only grade separation in place over the CN railway tracks running through the community and essentially cutting it in half. Many of the proposed industrial projects have identified the use of rail for transporting pipe and/or other components for their projects in Kitimat, Prince Rupert/Port Edward, and in the Nass Valley north of Terrace. Any increase in rail traffic will directly impact Terrace in a negative way. The population growth expected with industrial development will also increase vehicle and pedestrian traffic considerably and the combination of these two things will lead to more and more road/rail conflict. The need for a second grade separation and a pedestrian overpass will become critical.

The biggest challenge for the City of Terrace as this major resource development takes place is, and will continue to be, that none of this development will occur within our municipality. Therefore, we have no ability to generate tax revenue from these projects to support our community services and infrastructure. With Highway 16, Highway 37 and Highway 113 all coming into our community, having the Northwest Regional Airport within our municipality, and being the service and supply centre for the region means that people will choose to live and do business here, vehicle and rail traffic will increase, and and our community will continue to be negatively impacted.

A concrete example of the increase in service demands is the increase in 911 calls in the two locations over the period. In Kitimat 911 calls increased by 50% from 2010 to 2014 before returning to only 4% above 2010 levels in 2016. In Terrace, the maximum increase was 22% above 2010 levels, hit in 2012 before reducing to about 7% higher than 2010 in 2016. This demonstrates how municipal service level demand can increase in response to development, whether within or beyond the municipal boundary. It is often as difficult to ramp down services as it is to ramp them up during times of service demand volatility, adding to local government pressures.

As important as the increased service and planning demands are the huge increase in demand for the time and attention of local government staff to deal with issues, meet with proponents and respond to community concerns. Senior staff become increasingly over-stretched but without anywhere near the additional revenue needed to support actual service demand increases, it is impossible to add senior staff resources.

Several municipalities pointed out the significant impact that work camps already have on municipalities. Historically, major resource developments were supported by "company towns" that encouraged workers to bring their families by providing first class community amenities, with housing and infrastructure provided by the company. Now, workers commute, stay in camps and take much of their income home. However, they do affect nearby municipalities through the influx of young, well-paid males far from home looking for entertainment, affecting policing and first responders, medical service demand, social service demand, noise and nuisance complaints and more.

It's not just workers from camps coming to town that affect communities but also services required by camps themselves. The District of Stewart provided an example of an ambulance not being available to transport a local child in medical distress to Terrace because the paramedics had exceeded their operational hour limitations because of being called out to a camp several hours distant, and there was no back-up capacity due to the small size of the community.

In conclusion, while the provincial government has gained significant incremental revenue as a result of economic activity over the past five years, communities in Northwest BC have faced significant service demand increases without sufficient increased local government revenue to cover the cost. Increased service demand began well in advance of the main increase in economic activity and continues despite the fact that, for now, the development boom has cooled.

The revenue that the provincial government has already received and continues to receive from the operation of assets built over the past five years provides a reasonable basis for initial revenue sharing to enable the Northwest to prepare for the coming development boom.

More Development is Imminent

The most recent Major Project Inventory report indicates that there are 52 potential major projects in Northwest BC with a total construction cost of $213 billion. Of those, 9 are LNG plants and related pipelines, representing 57% of the potential cost and 43 other projects representing 43% of the cost.

The RBA recognizes that not all of these potential projects will proceed, especially in the next ten years. Whether and when these projects proceed depends on many factors, but the most significant factor overall is international market conditions. While it is impossible to predict accurately what will happen in the global economy, what is known is that resource markets are volatile and cyclical. It would be imprudent to assume that conditions will not change in the future, unleashing another wave of development in the Northwest. The unanswered questions are when and to what degree.

In an effort to develop more reasonable scenarios for future major project development, the RBA has applied local knowledge to assign likelihoods of each project in the Major Project Inventory being started within the next 10 years at a low, medium and high level of overall development activity. Tables 3 and 4 provide the results of this exercise for LNG and non-LNG projects respectively. Revenue and employment implications have been generated using multipliers from BC Input-Output Model results contained in filings associated with environmental assessment applications.

Table 3

NW BC LNG Project Summary
10 Years 2017 - 2026

	Low	Moderate	High
Number of LNG Projects	1	2	3
Capital Cost (2015 $ milion)	13,450	23,000	33,894
Capital Spending 2017-2026 (2015 $ milion)	13,450	23,000	33,894
Incremental BC Government Revenue 2017-26 (2015 $ milion)			
Due to Capital Spending	583	997	1,470
Due to Operations	2,068	3,537	5,212
Due to LNG Tax	550	975	1,175
Total BC Government Revenue	3,202	5,509	7,857
Person-Years of Employment			
Due to Construction	27,695	47,358	69,791
Due to Operations	13,129	22,450	33,085
Total	40,824	69,808	102,875

Table 4

NW BC Non-LNG Project Summary
10 Years 2017 - 2026

	Low	Moderate	High
Number of Non-LNG Projects	7	13	21
Capital Cost (2015 $ milion)	15,808	26,785	40,377
Capital Spending 2017-2026 (2015 $ milion)	6,174	16,474	29,770
Incremental BC Government Revenue 2017-26 (2015 $ milion)			
Due to Capital Spending	213	578	1,052
Due to Operations	1,848	2,832	4,119
Total BC Government Revenue	2,061	3,410	5,170
Person-Years of Employment			
Due to Construction	52,157	126,390	222,357
Due to Operations	24,550	61,446	110,394
Total	76,708	187,836	332,751

This analysis suggests that even a low number of non-LNG projects would have capital costs similar to a large LNG plant and associated pipeline. The analysis conservatively assumes that a considerable proportion of the capital cost would be incurred outside of the 2017 to 2026 window. During the ten-year period, even if only 7 of 43 non-LNG projects proceed there will be considerable provincial government revenue generated, including from the operation of recently completed projects. If there is at least one LNG project and a few more non-LNG projects, there would be really significant activity in the region.

In conclusion, whether or not there are LNG plants built in the Northwest, there is very likely to be considerable economic activity in the region, generating significant provincial government revenues.

Incremental Local Government Service and Infrastructure Demand

History and experience have prepared the Northwest for continued cyclical economic activity. Commodity prices will remain volatile. Non-renewable resource development, particularly mines, have a limited lifetime. Together, these factors have made the Region vulnerable to booms and busts. Local government finance, however, is not well adapted to managing in boom and bust times, with revenues generally lagging in both boom and bust scenarios. Local governments are designed for stability, the opposite of the Northwest BC experience and future expectations.

As discussed earlier, the construction and operation of major projects puts considerable pressure on local government infrastructure and services, affecting both regional districts and municipalities. With many of the proposed projects planned for locations outside of municipal boundaries, there is often little or any increase in property tax revenue to offset the impacts. Especially important, there is no revenue to support planning and funding of needed infrastructure in advance.

There is a long list of services and facilities affected by major projects and the workers and ancillary economic activities that accompany the projects. These include economic development and urban planning, social, health, environmental, heritage and other impacts.

Services affected include:

- Recreation facilities and programs;
- Other local facilities from parks to public buildings;
- Transportation including roads and airports;
- Policing, fire and rescue and other first responders;
- Social welfare including health, social assistance, affordable housing, and child care;
- Nuisance and noise abatement;
- Environmental protection;
- Schools;
- Community values and cohesion; and
- Economic development and tourism.

All of this has profound effects on already stretched local government finance in a region where the distances and sparse population make local government services expensive to provide.

In addition to these standard local government services, there a number of additional costs as well. Examples include emergency preparedness, mitigation and response, as well as changes to regulatory requirements like the new fire services and water sustainability legislation, and the growing costs of climate change impacts, all of which exacerbate the cost pressures faced by local governments. These are either extended costs to services already provided or *down loaded* costs that have been shifted to the local property tax payer from higher levels of government with a larger tax base.

For example, there is strong support in the Northwest for the Highway 16 Action Plan: Intercommunity Transit and the plan itself reduces the usual local government funding share considerably to help local governments participate. None the less, with strained fiscal resources, local governments are often placed in a difficult position without the ability to fund new priorities like Highway 16 Transit without making sacrifices in terms of other priority service funding.

The RBA surveyed its members about the expected cost increases that would be imposed by a major project in the vicinity of each municipality in the region, summarized below in Table 5. While development will not occur in an even fashion across the region, there are potential major projects that could affect every municipality and regional district in the region. Thus, these impacts are likely consistent with a high level of economic activity.

Table 5

Cost Area	Current Annual Cost	Expected Add'l Cost
Recreation facilities and programs	15,268,302	14,651,026
Other local facilities from parks to public buildings	7,741,529	4,339,942
Transportation including roads and airports	20,258,223	13,834,806
Policing, fire and rescue and other first responders	26,095,453	14,250,474
Social welfare including health, social assistance, affordable housing, and child care	441,899	3,657,975
Nuisance and noise abatement	225,433	1,679,449
Economic development and tourism	3,414,706	2,262,285
Other (all other operating expenses not incl above)	22,495,502	11,904,021
Total Operating Budget (for 2016)	**95,941,047**	**66,579,978**
Percentage Increase		69%

Source: RBA Member Survey

In conclusion, the RBA expects both operating and capital impacts of major development activity in the region. While there is an infrastructure deficit, that is not the sole focus of the region's concern. As important is the fiscal capacity to prepare for and deliver the services that will be required in response to development activity, much of which will take place outside of municipal boundaries.

What the RBA is Seeking

The RBA has been seeking engagement from the provincial government on the subject of developing a resource/development benefits model since it was formed. The Premier promised action in 2014 which has yet to be delivered. The RBA is seeking:

- Advanced funding to enable the region to plan and actively participate in ongoing federal and provincial infrastructure funding programs, effectively a share of the revenues earned by the provincial government though the major projects completed in the Northwest over the past five years;
- A fair revenue sharing arrangement providing the region with a contribution from the provincial government based on the level of incremental economic activity in the region that is responsive to changes in that activity. This should include but not be limited to providing local government funding related to industrial development outside municipal boundaries. The RBA intends to negotiate as a single entity for the entire region and be responsible to its members for how the contributions are distributed; and
- A legacy for the region to provide benefits after the coming boom has diminished.

Other regions of the province have had longstanding arrangements. These have taken various forms, ranging from the Fair Share arrangement in the Northeast to the Columbia Basin Trust to the various other trusts that have been created to promote economic development and share benefits. The RBA is prepared to discuss options for the form and level of a Northwest resource/development benefits arrangement, and is more than willing to seriously engage in a process as soon as possible.

In conclusion:

- The Northwest is a have not region, at least in part because it has not in the past received a fair share of the wealth generated by resource and other economic activity in the region;
- In the past five years there has already been a significant increase in activity, which has generated significant provincial revenues and has left local governments strained to keep up with demand;
- There is a lot more activity that is imminent and the non-LNG potential rivals the LNG potential at this point in time. Even if only a few projects proceed, there will be significant provincial government revenue generated;
- Additional activity, much of which will be outside municipal boundaries, will have serious service demand and infrastructure implications for local governments, but will not provide sufficient local government revenue to meet those needs; and
- Other regions share in the fiscal benefits that arise from major resource developments. It is only fair that the Northwest receive a share of recent and future provincial revenue gains. Revenue sharing is also needed just to keep up with the demands placed on local governments by this activity.

Appendix A – Major Projects Northwest Region
Completed or Nearing Completion 2012-2016

Name	Capital Cost ($ million)	Industry
Smelter Modernization Project	4,800	Manufacturing
Mount Milligan Mine	1,263	Mining
Prince Rupert Port Expansion	820	Ports and Transportation
Brucejack Gold Project	811	Mining
Northwest Transmission Line (NTL)	746	Clean Energy
Forrest Kerr Hydroelectric Project	725	Clean Energy
Red Chris Porphyry Copper/Gold Project	663	Mining
Endako Mine Expansion	600	Mining
Kemano Tunnel Project	500	Manufacturing
Fort St. James Biomass	235	Clean Energy
Mclymont Creek Hydroelectric Project	217	Clean Energy
Huckleberry Copper / Silver / Molybdenum Mine	201	Mining
Ridley Terminals Expansion	200	Ports and Transportation
Fairview Container Terminal Expansion	200	Ports and Transportation
Iskut Extension Hydro Transmission Line	130	Clean Energy
Long Lake Power Project	100	Clean Energy
Prince Rupert Port Road Rail Utility Corridor	90	Ports and Transportation
Dasque-Middle Creek Hydro Project	75	Clean Energy
Port of Stewart Expansion - World Port	70	Ports and Transportation
Lakes District Hospital Replacement	55	Health Facilities
Babine Sawmill Replacement	50	Manufacturing
Silvertip Silver Mine	50	Mining
Queen Charlotte/Haida Gwaii General Hospital	50	Health Facilities
Westview Pellet Terminal	42	Ports and Transportation
Volcano Creek Hydroelectric project	40	Clean Energy
Swamp Creek Aggregate Project	27	Mining
Long Lake Hydro Interconnect Project	24	Clean Energy
Fraser Lake Sawmill Biomass Project	20	Clean Energy
Tsimshian Peninsula Access Project	20	Ports and Transportation
Stewart Bulk Terminals	15	Ports and Transportation
Total	**12,839**	

Source: Major Project Inventory reports, 2012 to 2016
http://www2.gov.bc.ca/gov/content/employment-business/economic-development/industry/bc-major-projects-inventory
Includes the capital cost of projects completed or where most of the capital expenditure was made during the period 2012 to 2016. Does not include capital spending on projects later put on hold, such as camp and road building work on mines that have yet to receive final approval or where development has ceased or pre-FID spending on LNG projects.