



The Private International Port of Kitimat



Since its inception and as one of the youngest Pacific Coast cities, Kitimat, British Columbia has enjoyed its reputation as a modern, lively community and a location with its future solidly based on its globally distinctive competencies.

Today, there's a new sense of anticipation about this destiny as a number of international and energy-related projects are lined up to add diversity to the identifiable international manufacturing and trade character of this community. Its Pacific location is branded as *"The Private Port of Kitimat—A Marvel of Nature and Industry"*. There is a platform of private sector investment lining up which will take the community into its second stage of growth in just over 50 years.

A company ready to take advantage of regional resources is Cascadia Materials Inc. (70% owned by Arthon Construction). This company will be building a break-bulk terminal to export valuable sand and aggregate construction materials from the Kitimat Valley into the burgeoning California building market.

Their new terminal facility is designed for vessels up to 70,000 DWT, a size easily handled in the naturally deep water found in the Kitimat Harbour. Given the lack of multi-products break-bulk terminals available on the north coast of B.C., some exporters may benefit from discussing export arrangements with Cascadia.

Kitimat's development manager has long realized the opportunity-gain of a break-bulk terminal. Working with private Break-Bulk Terminal operators who see the market demand for facilities to export wood pellets, lumber and other forestry products has been a priority. New opportunities such as the import of pipe, export of other Alberta energy-related products and the shipping of new value added manufacturing products from throughout Western Canada, there is now recognition that the need to handle general cargo makes sense to happen in Kitimat.

"We believe we can see light at the end of the tunnel," is all that Diane Hewlett, Kitimat's Manager of Development is prepared to say at this point—"rest assured, where there is a business case to be



made—the market looks after itself. We identified Kitimat's distinct competencies in the 1990's and have been working on the opportunities for a world-scale break-bulk terminal and common carrier terminaling business since then. As business knows, it takes time for the fundamentals of business and development opportunities to come together."

"In the end, it's important that whomever seizes this opportunity respects the private port facility and operating structure in Kitimat—its uniqueness is not lost on those who have chosen to invest here, nor to government, nor to those who have operated marine terminals here for the past 25 to 30 to 50 years."

WITH FILES FROM ALLAN HEWITSON

Western Canada's Emerging Energy Hub

BRITISH COLUMBIA

Kitimat *A Port City on the Move*

THERE IS A NEW WEST COAST ENERGY HUB EMERGING

Kitimat is now quietly evolving into Western Canada's Coastal energy hub.

Kitimat LNG Inc. is North America's first planned Pacific Coast LNG import facility to meet environmental standards and achieve approval to build a \$500-million LNG marine terminal re-gasification facility and tank farm.

In association to the LNG plant, **Pacific Northern Gas**, is readying itself with a pipeline loop expansion to carry the vast quantities of natural gas that Kitimat LNG will import through the private port of Kitimat to serve the North American gas markets.

And, Kitimat has been chosen to host a number of other multi-million—even multi-billion dollar—energy projects which are expected to add to the manufacturing and international trading capabilities shared by the communities of Kitimat and its neighboring Haisla Nation of Kitimaat Village.

In fact, a win-win situation has evolved from the Kitimat LNG project: it is being located on Haisla Reserve Lands. This provides an industrial tax base for the Haisla First Nation and it is feasible that some of the other projects, may also have an opportunity to work with the Haisla for additional industrial development.

A number of household name energy industry giants have recently announced the Port of Kitimat as the preferred Asia-Pacific Northwest Corridor for trading in and out of North America. **Enbridge Inc.** is planning a condensate import/bitumen export twinned pipeline project called **Gateway** between Kitimat and Edmonton that includes a tank farm and marine terminal; **Encana Corporation**, began importing diluent in 2006 for its use in Alberta oilsands through the **Methanex Corporation** terminal in Kitimat; **Pembina Pipeline Corporation** is currently planning to import condensate through Kitimat and **Kinder Morgan Inc.**, is eyeing a new bitumen export pipeline to a terminal on the Douglas Channel waterfront.

What is attracting these major players to this north coast community of just over 11,000 people?

DISTINCT COMPETENCIES

The combination of well aligned geographic, economic and transportation factors are distinct competencies that serve up a wide array of competitive advantages. These range from Kitimat's port location on the Asia Pacific and North America Pacific Coast, to being due west of Edmonton and serviceable by the TransCanada #16 Highway and CN Rail. This is important to both offshore, off-continent and inland producers. However the distinct competencies are wider yet—as Kitimat has a large inventory of industrial land at tidewater and in the broad expanse of the Kitimat Valley. And, as a community “planned for an industrial-based economy” there is substantial room for growth—unlike many of B.C.'s other major port locations.

Deep-sea
vessel 'Bow
Summer'
leaves the
Private Port of
Kitimat after
delivering
EnCana's first
shipment of
condensate to
the Methanex
terminal.



PHOTO: A. MILLER

Couple all of this with Kitimat's already-existing solid base of highly skilled industrial work force; then add the community's valuable private sector port status, the advantage of being Western Canada's closest inland Pacific location with safe passage between the great circle shipping route of the Pacific through B.C.'s largest-widest-deepest fjord (Douglas Channel), and you can understand why Kitimat is distinctly attractive to businesses and major corporations.

Most don't know that Kitimat's harbour is wider than the Burrard Inlet in Vancouver, and is situated conveniently at the head of one of only two large-wide-flat and developable valleys that are on

the coast of British Columbia.

With Fraser Valley trade corridor expansions requiring extensive continual infrastructure upgrades to smooth bottlenecks from the transportation gridlock that occurs with critical mass populations, the Kitimat Valley represents a beacon for development in the 21st Century. *“The largest tract of developable lands at tidewater on the Pacific Coast of North America”* is the description in a Province of British Columbia Industrial Land Demand Study.

What does Kitimat have to offer, as a community, to attract so many proponents for such a range of massive major projects?

Its reputation as a well-established industrial and international trade location, manufacturing and exporting over \$1 billion each year to global markets.

Richard Wozney, the Mayor of Kitimat who is highly involved in the investor services and economic development portfolio, notes there's a lot more than just its industrial history and geography to recommend Kitimat to potential investors.

He will add Kitimat's community facilities, low housing costs and the current rental vacancy rate which will be consumed by projects in place of expensive construction camps. He will talk about exceptional high quality industrial supply and services sector capability in Kitimat and the region. But most importantly, he will let it slip that the culture of Kitimat and its industries, is to meet the needs of global markets while managing industrial

DISTINCTIVE COMPETENCIES THAT CREATE KITIMAT'S COMPETITIVE ADVANTAGE

- Kitimat Valley is one of *only two* wide flat valleys on the western coast of Canada.
- Kitimat's port is Western Canada's third largest after the combined Federal Port Authority ports at Vancouver and Prince Rupert (Reference: British Columbia 2005 Port Study).
- Kitimat is one day closer to Asia than Canadian ports and Pacific Northwest Ports.
- Kitimat is a private sector port: all seaport facilities are built, owned and operated by private enterprise sometimes for their own use and sometimes to transship for others. There is no federal port authority, no harbour dues, no national labour contracts—just steady productive levels of shipping.
- Kitimat is located 90 nautical miles inland at the head of the Douglas Channel—B.C.'s widest, deepest fjord.
- Passageway into Kitimat is safely accessible by Panamax vessels, VLCC's and ULCC's up to 320,000DWT (Previous Transport Canada Termpol Assessments).
- Kitimat is the Northwest Corridor's closest inland sea port for Western Canada exports and the deepest inland sea port for international imports. With land transport costs up to five times higher than that of sea transport, shippers who choose inland locations achieve greater profit potential.
- The Kitimat Valley is described as *"The largest single tract of available industrial lands at tidewater on the coast of North America"* (British Columbia Industrial Land Demand Study). Twenty one sites have been identified: 11 on tidewater with sizes ranging 30ha (74ac) to 3,000ha (8,154ac). Kitimat municipality is 32,190ha with 4,000ha (8,600ac) in existing and future industrial zoned lands. Of this, only 400ha (988ac) is currently developed, 3,000ha (7,620ac) is vacant with 2,032ha (5,023ac) of this being partially serviced.
- Kitimat is connected to the TransCanada Highway # 16 Yellowhead Route and is Mile 0 of Canada's most westerly Highway # 37 connecting to the Yukon and Alaska, which cuts off 100 miles off Alaska Highway distances from Vancouver to northern resource regions.
- Kitimat is serviced by CN Rail and is on-par with the Port of Vancouver to serving intercontinental markets in terms of distance to Chicago; with premium service, Kitimat could offer up to a 30 hour time saving.
- Kitimat Valley's Northwest Regional Airport is the largest airport in northwest B.C., handling 100,000 passengers a year. With jet service flight time to and from the Vancouver International Airport is one hour.



risk successfully and enjoying an exceptional quality of life in a community designed to grow for centuries.

"Kitimat is recognizably the safest, most viable private port gateway on the west coast of Canada. Companies are becoming more and more aware of its distinguished potential. In an era of globalization, the explorations of Kitimat by so many major corporations seeking to establish international trade facilities on the Pacific Rim opens new and exciting doors for Western Canadians." Wozney sees potential for new industry to explore marine occupational training being added to the city's growing post-secondary and private educational institutions like the Northwest Community College Kitimat Campus, and the Kitimat Valley Institute for Industrial Education, which is already supplying existing industry's specialized needs.

Wozney speaks about the opportunities for the neighboring Haisla First Nation who are part owners of this educational institution and their candid expression of interest in pursuing coastal occupations that naturally align with their generations of history along the coast of British Columbia. "It could be a promising fit for everyone," he says.

The livability factor of Kitimat is another attractive element that Wozney has on his long list of distinctive competencies in Kitimat. "Our private Pacific Rim Port in the Kitimat Valley is an infrastructure-rich, modern community with enviable recreational facilities, good schools and a unique blend of other attractions that make life in this community a positive and enriching experience. It's a very safe place to raise children, to pursue an active family outdoor lifestyle and to retire in. I don't think you find these elements to be the case anymore in many British Columbia coastal locations, but it still is here," he adds.



Sometimes an old story just needs a new voice.

Nicole Nicholas comes from a long line of Haida storytellers. So when she penned the story "First Contact", about her ancestors' first encounter with Europeans, this high school student added another generation to its legacy. And won the Canadian Aboriginal Youth Writing Challenge along the way. At Enbridge, it's just one of the many Aboriginal heritage initiatives we're proud to support.

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BRITISH COLUMBIA

Kitimat
A Port City on the Move



TAKING PRIDE IN THE FUTURE

Kitimat Mayor Richard Wozney takes pride in ensuring a sustainable future for the Kitimat Valley by working with multiple-stakeholders who have a vested interest in the future of this coastal nirvana.

Over the past two decades, the District of Kitimat has sponsored two "Kitimat Valley Future Searches™" inviting large groups of representatives from throughout the region and every sector of society to work together. "Establishing our common ground, and identifying long term "visions" of the future that lend themselves to our sustainable development platform is really important" Wozney adds.

The district works to ensure a collaborative future for the Kitimat Valley by working with multiple-stakeholders including business, industry and government.

"Not only has there been substantial progress made in the past because we are constantly aware of what makes sense for us, there is commitment to work collaboratively to reach our 2011 Visions of the Kitimat Valley." He says it's all about aspiring to align with what the community is at heart: "A Port City on the Move" meaning growth, and a "Private Sector International Port" meaning efficient, but that remains a "Marvel of Nature and Industry." ▲

P O R T O F K I T I M A T F A C T S

Port of Kitimat:

Latitude 53°59'North

Longitude 128°41' West

PORT STATUS:

Private Sector Port – Proponents welcome to Build, Own, Operate Deep-sea marine terminals; Present port facilities include two Break-bulk private terminals and a liquids handling marine terminal. Transshipment opportunities exist for liquids and may exist with current break-bulk facility owner.

Additional Private Port facilities in development: LNG Import Terminal, Regasification and Liquids Handling Facility; Aggregate Break-Bulk Terminal.

Projects being assessed by Private interests: Petroleum product terminals, Break-Bulk Terminal operations for import and export of others cargo. Private, First Nations and Crown Lands available for development. Three Small Craft Marinas in Harbour Area, one Small Craft Marina in Bay adjoining Harbour.

MARKETS SERVED:

Japan, Hong Kong, Korea, Southeast Asia, Taiwan, China, Europe, Middle East, Africa, South America, United States and other locations

COASTAL NAVIGATION:

Navigational Charts: # 3743 and # 3002 North Coast, Douglas Channel and Kitimat Arm (Canadian Hydrographic Service)

DOUGLAS CHANNEL:

90nm Inland Passage 1.5-3nm in width

CHANNEL DEPTH:

100-300 Fathoms (190-570 m or 600-1800 ft) 1 fathom = 6 feet

HARBOUR:

Natural deep-sea harbour; sheltered; 1.5-2 nm wide; Depth 70-100 fathoms (1 fathom = 6 feet)

ANCHORAGE:

Kitimat Arm; 4 inner harbour anchorages; 4 holding areas for multiple ships south of Kitimat

PORT FACILITIES:

3 deep-sea terminals—two handling break-bulk manufactured goods; one transshipping petroleum and petrochemical products

2 deepwater RO/RO barge facilities; two seaplane aerodrome locations; tug and scheduled barge service; shipping agents

RAILWAY:

Serviced by Canadian National Railway for all continental North American locations in Canada and United States. Time/Distances at Premium Service: Kitimat to Chicago: 138 hours 2,520 miles
Vancouver to Chicago: 131 hours 2,496 miles

HIGHWAY:

Inter-Provincial # 37 and TransCanada # 16

AIRPORT:

Kitimat Valley NW Regional Airport; daily service to/from Vancouver International Airport, Vancouver South Terminal; Scheduled service to Prince George Airport

CHARTED BY EUROPEANS:

1792 by Spanish Pilot Don Juan Zayas of Lt. Jacinto Caamano's vessel Nuestra Senora de Aranzazu. 1793 by British Officer Whitbey from Captain George Vancouver's vessel Discovery

COMMUNITIES:

Haisla First Nation, Kitimaat Village and District of Kitimat, Kitimat, British Columbia

ECONOMIC PERFORMANCE:

Trade Value over \$1Billion annually; 50% Labour Force directly employed in heavy industry and marine activities

DEVELOPMENT LANDS:

11,000ha including tidewater sites within BC Industrial Land Inventory and mapped in Land Resource Management Plan; District of Kitimat Industrial Zoned Land Inventory total: 3,484ha (8,608ac); developed 400ha (988ac); vacant 3,084ha (7,620ac) of which 2,032ha (5,023ac) are partially serviced; 100ha (248ac) fully serviced; 935ha (2,309ac) not serviced

INFORMATION CONTACT:

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website: www.portofkitimat.com email: info@portofkitimat.com

The fundamentals of Competitive Advantage

The Private Sector Port of Kitimat is the third largest Canadian Asia Pacific Gateway port on the West Coast of Canada after the ports of Vancouver and Prince Rupert. Based on Kitimat's natural competitive advantages—this port is seeing significant growth in private port and international trade investment.

With a rash of global market expansions and the economic engine reputation already earned by Kitimat in British Columbia, the Private Port of Kitimat is now handling investment proposals valued at multiple billions of dollars.

Trafford Hall points to 'Kitimat's distinctive competencies' as being central to past and future trade through Western Canada's largest private port. Hall is Kitimat's Municipal Manager who just happens to be an MBA, and an economist with a heavy industry construction background.

In the decade between 1990 and 2000, Kitimat industries exported over \$15-billion in Canadian goods and contributed over \$445 million annually into the BC economy. "The performance arising from Kitimat's distinctive competencies are *the basis for competitive advantage*. And that translates *from profit potential—to real profits*" he emphasizes.

"Behind simple geography are the operating dollars and cents of every location. We support Canadian and International proponents who know Kitimat's individual competencies bring synergy to their investments. If competitive advantages are embedded in profit potential with long-term cost savings—competitive edge is sharpened."

The fundamentals of Kitimat's competitive advantage range from being the second of only two flat valley's on the coast of British Columbia and closer to Asia, to being designed by industry for industry. In contrast to most ports—it's the city that is set back from the water by 11 kilometers—thereby allowing industry exports and international trade to take precedence. Having room to grow is a distinct advantage and a factor not shared by other international ports on BC's coast. As the furthest inland port—Kitimat's cost benefit is substantial when one considers the cost of land transport is *five times the cost of ocean transport*. Think St.



ABOVE: The British Columbia Government Water Licence for the 5,400 sq mile Nechako Reservoir watershed (a natural chain of lakes) enabled sustainable power-intensive industry to take root on the Pacific Coast creating a substantial provincial tax base and thousands of jobs.

ABOVE: British Columbia's widest, deepest inland fjord, the Douglas Channel stretches from the Pacific to its tidewater terminus in the Kitimat Valley – one of the only two wide-flat valleys on the mainland coast of Western Canada.

Lawrence Seaway, think Yangtze River.

Few know that Kitimat can compete directly with the Port of Vancouver in terms of distance and timed delivery into Chicago—yet ironically Kitimat wasn't even assessed by the federal or provincial governments as a port investment location, or for promoting private container port investment. The small mention of Kitimat in the BC Ports Study simply indicated Kitimat was the third largest port in BC. It forgets to mention Kitimat is also Western Canada's largest private port.

As an economist Hall has been a long time advocate of the Private Port of Kitimat's unique advantages to industry and trade. He is quick to point out that Kitimat has had a major manufacturing and export trade cluster serving global markets since it

was developed by the Aluminum Company of Canada just over fifty years ago.

Hall believes the comparative advantages of the Kitimat Valley and the Private Sector Port of Kitimat have been off the radar screen of recent governments. "The Canadian Government Port Governance Model has no slot for high performance ports that are private" Hall says as he points to Kitimat's build, own, operate model in Kitimat. "I wonder if the billions in federal infrastructure investment that are poured into new facilities at federal ports could have had the Private Sector clamoring for the chance to develop independent facilities to handle public trade?" Hall cites a recent private infrastructure report "2,500 projects—between 1990-2001—actually mobilized private investment of \$754 billion

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KITIMAT A Port City on the Move

in 132 developing countries¹. "Who do you think is likely to be more efficient over the long term?" he asks.

Widespread port deregulation since the 1990's has been a key factor in most large countries including China, India, and Canada. However, Hall has a point, governments in developed countries like Canada are still holding on to ports for political reasons. The ability of senior gov-

ernments to promote more leveraging of private money will depend solely on political commitment to a more effective competition policy.

"Could transport ministers endorse a port privatization policy agenda? Private ports benefits to trade are significantly large with huge direct and indirect inputs to our governments and economy" he laughs "and, let's not forget the benefits

to current as well as future taxpayers. Is the "Port Authority" movement essentially a 20th century phenomenon? "It's the 21st Century—times have changed."

Diane Hewlett, the Manager of Development agrees, and asks a common sense question about future transportation policy "The routes traveled and used to ship goods in the past—have they been rationalized for the next two centuries? Identifying under-utilized capacities and outstanding competencies where competitive advantages for trade exists—that's where I'd put the focus." Then she adds "Will Governments recognize the value of private ports with room to grow like Kitimat? If they do—they'd discover competitive advantages that are extraordinary."

To try to get that message out, Hewlett and Kitimat's Mayor Wozney helped pioneer Western Canada's Northwest Corridor Development Corporation and were



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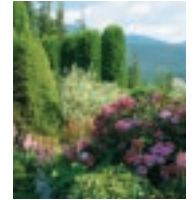


involved for years, but have been too busy in recent times. "There was some national attention" she says pointing to a national Economic Development Award for the *Capability Report, Brochure and Transport, Industry and Trade Profiles* that she suggested and that were modeled after the resources she's developed to promote the Port of Kitimat for 11 years. "However, I'm still waiting for National and Provincial Transport policy that acknowledges and promotes Canada's private port models. They do exist in Canada." ▲

¹ Private Participation in Infrastructure 1990-2001, Transport Trends in Developing Countries World Bank

Designed by Industry for Industry...

21st century growth is in 'the plan'



The concept of Kitimat arose out of the 'authorizing documents' of the 1950 British Columbia/Alcan Agreement—which over time has provided Alcan a perpetual source of cheap hydro-electric power. The company's responsibility was to create a new center of population and implement world-class aluminum production for the sustaining benefit of the British Columbia economy.

Alcan's Kemano sustainable hydro-electricity generating capacity is significant: it delivers an estimated 900MW of hydro-electricity into the company's switching station at the Alcan Works aluminum manufacturing plant in Kitimat. The current smelter capacity is 272,000MT/Yr. presently, however previous public presentations by Alcan allude to their intent to accept the replacement power arising from the BC/Alcan 1997 Settlement Agreement. This legal agreement envisions the doubling of the smelter's output to an estimated 550,000MT/Yr of aluminum in the Kitimat Valley, a capital investment in the magnitude of approximately \$2 Billion dollars. This would mark manufacturing export growth for the north coast well into the new millennium for British Columbia while sustaining the highest public good out of the BC Water License. It also reinforces the growth of the emerging energy hub on the coast of Western Canada.

Eurocan Pulp and Paper Co. Ltd. a Division of the highly successful West Fraser Timber Co. Ltd., has manufactured high quality linerboard and kraft papers in Kitimat since the 1960's. This company ships approximately 600,00MT /Yr annually to its customers in the U.S. and around the Pacific Rim from it's under-utilized break-bulk marine terminal in Kitimat.

The Methanex Corporation now imports its own product from its offshore facilities utilizing its Kitimat marine terminal, tank farm and rail facilities to reach its North American methanol markets. Methanex manufactured methanol and ammonia in Kitimat for over 25 years and

remains the leading merchant marketer of methanol in the world representing up to 30 per cent of the global merchant market.

To say that Kitimat is a Pacific community able to handle substantial growth is an understatement.

The wave of multi-billion dollar LNG, natural gas and oil pipeline terminus's that represent large international trade investment doesn't concern this well-planned city—it is designed for growth and was anticipated to have a population of over 50,000. Of the 32,190 hectares of land within the Municipality and the Official Community Plan (OCP) the city presently

takes up only 1,000 hectares. The existing OCP outlines a further 700 ha. for new residential, commercial, and park areas for the near term, but additional growth can be accommodated. A 500 acre small holdings lot (1-5 acre parcels of land) is under development, a 160 lot urban subdivision has completed Phase 1 of a 3 Phase development and approximately 225 acres of prime land is available for development within the existing community footprint. Of the 3,484 hectares of industrial zoned land—only 1,000 hectares has been developed. Of the remaining lands, approximately 2,000 hectares is partially serviced.



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BRITISH COLUMBIA

KITIMAT *A Port City on the Move*



The Kitimat Brand: "A Marvel of Nature & Industry"

Kitimat is branded as "A Marvel of Nature and Industry" and as such, is a "mecca" for outdoor recreation pursuits and good paying industrial employment.

The community has some of the best fresh-water fishing on the coast (Kitimat River Spring, Coho, Chum, Pink, Steelhead and Cut-throat trout fishing is already world-renowned), and deep sea fishing and boating opportunities are embedded in the quality of life of many citizens.

Being the closest Pacific port inland, the Douglas Channel is a major attraction to northern British Columbians and Albertans.

Other outdoor recreational activities that

attract tourists, visitors and community members alike are canoeing, hiking, hunting, camping and sightseeing amid snow-capped scenic mountain grandeur, which is as breathtaking as anywhere else in the world.

Large numbers of anglers come from around the world to test their mettle against the elusive but highly-prized Pacific salmon species and seek out halibut and other deep-sea fishing at Kitimat's saltwater destination. Steelhead fishing draws determined anglers, including some celebrities, who get a rush from fishing Kitimat River in the late winter and early spring.

Small craft marinas, executive Bed & Breakfasts, hotels and campsites and some of the best indoor and outdoor recreational facilities in the province have all helped to create a successful recreational and sporting hub in Kitimat. The city boasts two ice arenas, a par 72 championship 18-hole golf course (6,481 yards,) an Olympic size swimming pool and leisure centre, a curling rink, movie and performing arts theatres, soccer, tennis, baseball and the range of other indoor and outdoor facilities you would expect in much-larger cities.

Modern housing, a new hospital, good schools, the Northwest Community College and an accredited private-post secondary industrial education institute all call Kitimat home. The Kitimat Valley Institute (KVI) for Industrial Education provides post-secondary education in Kitimat, including Power Engineering and other trades in its unique facility which, has an onsite power engineering plant. Simon Fraser University has offered a Master's Degree in Business and an undergrad Business Degree where instructors deliver 'distance education' by coming to Kitimat to teach classes—and students from industries and the community attend classes at KVI.

The ownership of KVI is a shining example of cooperation which includes the Haisla First Nation of Kitimaat, Alcan and a private interest in the ownership mix of the school. KVI targets post-secondary education for First Nations, training and development for Kitimat's industries and citizens and the institute welcomes foreign and northern First Nation students who wish to benefit from this unique post secondary trades training for heavy industry in Kitimat.

Kitimat's differentiation is unique to British Columbia and the northwest region of this province. One has the sense that this coastal community is destined to blossom in the 21st century. ▲



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KITIMAT
A Port City on the Move

Western Canada's Pacific Seaway Terminus: A delayed beginning

The Kitimat Valley is no stranger to grandiose predictions of its competitive advantages providing opportunities for growth and future development. As far back as 1870 and up to the early 1900's Kitimat was touted as the strategic terminus for two trans-continental railways, the Canadian Pacific Railway and the Grand Trunk Pacific Railway. In addition, a provincial rail charter with generous land provisions was provided by the British Columbia Government to investors interested in exporting mined resources through a newly developed seaport community to be built at tidewater in the Kitimat Valley.

The memories of Kitimat's merits as a proposed terminus for the Canadian National Railway in the 1870's remains fresh in the minds of only a few history buffs—those who have run across a brief filed with the Canadian Government according to "*Act of Parliament of Canada in the year 1880, by C. Horetzky, in the office of the Minister of Agriculture.*"



Kitimat has an international award winning "Garden City" design. The District Municipality was established in 1953 and comprises a land mass of 32,190ha.

This community is more than prepared for the growth it is presently experiencing with two new subdivisions underway and three additional subdivisions accommodated within the Official Community Plan. Presently, Kitimat could take an additional 1,200 to 1,500 residents without requiring any additional municipal services.

Some of the well-appointed community facilities include 45 km of walking and biking trails, two indoor hockey arenas, an Olympic size swimming pool and leisure centre, a Community and Arts Centre, fitness facilities and programs, soccer, tennis, golf, curling, skateboarding, a number of ocean marinas, hiking trails, cross country ski trails and enough activities to keep 140 groups, clubs and community organizations busy. Now that's a lot of options for a community to offer citizens.



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Northwest British Columbia: not always what you'd expect.



Sure, you may know all about our world-class fishing and the black bears that are actually white.

But did you know that the output of one of our cities, Kitimat, is responsible for approximately 12% of the Provincial Manufacturing GDP? Or that the Northwest is home to some of the finest Native carvers in Canada? Or that the region boasts a ski area that is regularly written up in American snowboard magazines? It's not always what you'd expect.

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BRITISH COLUMBIA

Kitimat
A Port City on the Move

Called *"Some Startling Facts Relating to the Canadian Pacific Railway and the Northwest Lands"* the passion that Horetzky had for his route to tidewater (linking river valley's along the Trans-Canada # 16 Yellowhead route), offered huge tracts of land for settlement and a terminus at Kitimat that was closer to Asia than all southern ports.

Others following rail history in the region may have read *"Thousand Blunders: The Grand Trunk Pacific Railway and Northern British Columbia"* by Frank Leonard, and *"Carving the Western Path"* by R.G. Harvey. A significant historical record specifically about Kitimat's history is contained in *"Kitimat, My Valley"* by Elizabeth Anderson Varley. She was the first born of an early missionary from the Haisla Kitamaat Village who settled to farm on the Kitimat tidal flats. She tells the story of her youth in Kitimat, including how the promise of three rail developments terminating on Kitimat tidewater evaporated in the absence of land deals on speculation of Kitimat's destiny to become northern British Columbia's international port.

In the early 1870's CPR Surveyor Charles Horetzky spent years examining the northwest wilderness areas of western Canada looking for new routes through the Rockies and that of the towering Coastal mountains. Once he realized the natural advantages of the Kitimat Valley, he argued that it met the criteria for Canada's first Trans-Continental Railway more-so than the Fraser Valley. And, in fact it did.

His surveyed route from Winnipeg to Kitimat (known today as the Northwest Corridor) *"provides the greatest access to the most settlement lands,"* given it's routing through the lowest elevations of the continental divide and terminus at the closest inland port Kitimat was *"the least cost option"* and is *"closer to Asia than other locations suitable for growth of the country."*

However, the British Governor was established in Victoria, the border between Canada and the United States needed to be settled and the citizenry interested in joining the Dominion of Canada—all lived in the south. In combination, these were compelling reasons for the southern terminus through the Fraser Valley.

Twenty years after Horetzky filed his

report on Kitimat with the federal government, the Grand Trunk Pacific (GTP) railway was proposed as Canada's second transcontinental.

A provincial Rail Charter had also been granted to northern mining investors who were interested in developing a rail line to the Kitimat Valley terminus. Unlike the Grand Trunk Pacific Rail arrangement with the federal government, the BC investors were granted generous land right-of-ways including to tidewater through the Kitimat Valley.

By 1902, land brokers in the bustling port of Vancouver were hailing the wilderness location of Kitimat as "the coming northern metropolis of Canada."



B.B. Johnston, Howe and Company, real estate brokers on Hastings Street, in Vancouver, were running prominent advertisements selling lots in the newly laid out community at the end of the Douglas Channel. It wasn't long before the high demand for lots in Kitamaat sent prices sky high.

The promotion claimed Kitimat's recognition by *"informed engineers, railroad builders and navigators as the most feasible terminus for a great railway seeking outlet on the Northern Pacific waters of Canada"*.

"Steamships running from Kitamaat will have the shortest and most direct route to the Orient, whose millions of consumers are to be the customers of the products from Canada's vast resources," the ads trumpeted.



"The site of Vancouver on the shores of Burrard Inlet was converted in a few years from the primeval forest into a prosperous city. Its future is guaranteed and its prospects are attracting the attention and admiration of the shrewdest investors the world over" implied the same success would happen at Kitimat.

B.B. Johnston, Howe and Company had predicted the need for another harbour farther north than Vancouver, which would be *"easy of access by land and water and must be flanked by a site suitable for a new great city, the terminus of the Grand Trunk Pacific and other transcontinental railways. It is also a well known fact that the Canadian Northern Railway Company is rapidly building towards the coast, having now practically arrived in Edmonton on the eastern side of the mountains. The railway is expected to terminate on the coast at an early date. The directors of this new railway are now interested in Kitamaat,"* they stated.

But land prices were too high for GTP and the railroad changed direction...

All this excitement led to rampant speculation about the Kitamaat terminus with lots in the undeveloped town site selling for between \$90 and \$350 each.

The negotiations between GTP and those holding the Provincial Rail Charter failed due to the land speculation and price asked for the Kitimat Valley Provincial Rail right-of-way. GTP had not received federal land concessions which left the economics of their rail project reliant on the ability to sell lands until the railroad became profitable.

Surveyors working for GTP were finally ordered to find another route to tidewater. The only option was to follow the narrow Skeena Gorge west from the midpoint of the Kitimat Valley west to the Pacific Ocean. GTP bought what flat land existed on the west side of Kaien Island



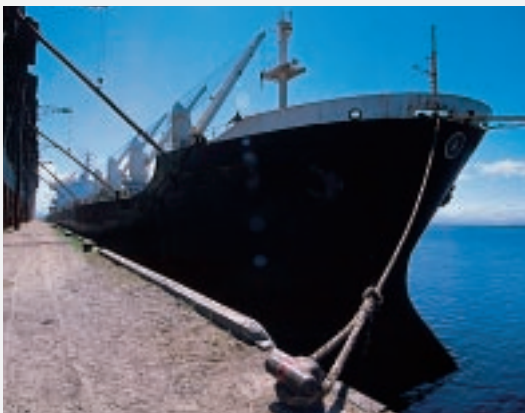
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BRITISH COLUMBIA KITIMAT *A Port City on the Move*

for \$1 an acre and the City of Prince Rupert was born.

The Provincial Charter railway was never fully developed by its investors and the handful of settlers and the Haisla First Nation at Kitimaat settled back to their quiet existence for nearly 40 years before the competitive advantages of their location began to stir investment and economic development interest once again.



A NEW BEGINNING...

In early 1920's, shrewd government surveyors had identified a number of potential hydro-electric sites along BC's Coastal Mountains where high altitude lakes provided the opportunity to 'drop' water through turbines to sea level. By the 1940's, the B.C. government's quest to find new investment had begun in earnest. Knowing that power intensive industries could benefit from perpetual coastal hydro-electric generation they cast their eyes to eastern Canada and Alcan—Canada's largest manufacturer.

Alcan had developed cheap hydro-electricity through water licenses granted by the Government of Quebec—which is essential to aluminum smelting.

The Alcan engineers invited by the British Columbia Government to study the hydro potential for the establishment of an aluminum industry in northern B.C. saw creative ways of breaching the Coast Mountains. Based on the capacity to harness a 5,400 square mile watershed which comprised the natural chain of lakes now known as the Nechako Reservoir, the company reversed the flow and was able to establish a 2,600 foot headwater for the production of hydro-electricity. By dropping the water this height, six times that of Niagara Falls, a sustainable, firm power source would serve industrial interests.

Alcan's studies eventually led to the \$500-million Alcan Kitimat-Kemano hydro-electric, aluminum smelter project—Canada's largest engineering project at that time.



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BRITISH COLUMBIA KITIMAT *A Port City on the Move*

Kitimat's tidewater valley provided the ideal location for the company's aluminum operation which would serve new Asia Pacific markets. The B.C. Government kept its word by creating the Industrial Development Act and the 1950 Agreement. This provided Alcan with a water license for developing private hydro-electricity in return for "the establishment of a permanent industry and the beginning of a new center of population" in the north. The first ingot was produced at the opening of the Kitimat Works smelter in August 1954 and an international manufacturing and trade centre was created at Kitimat.



Over the years, the Alcan smelter grew to half the size accommodated within the BC Government Agreement, a rated capacity of 272,000 MT/Yr. Incrementally, new industries were attracted to the area—first Eurocan Pulp and Paper in the 1960's and later, in 1980, Ocelot Industries, which morphed into Methanex Corporation Canada's first petrochemical facility on the west coast. This plant produced firstly methanol and later, ammonia for export to global markets.

As the Kitimat Valley continues to grow in the future based on exceptional and sustainable competitive advantages, the province of British Columbia and indeed the country of Canada will continue to reap the benefits from manufacturing and international trade. The unique International Private Sector Port of Kitimat will realize greater heights of its potential over the next 100 years.

The faith that Charles Horetzky had in the Port of Kitimat is renewed: his vision of the distinct competencies of this area serving the Pacific Rim trade has been realized. A remarkable coastal valley city is once again on the move serving global trade markets. ▲



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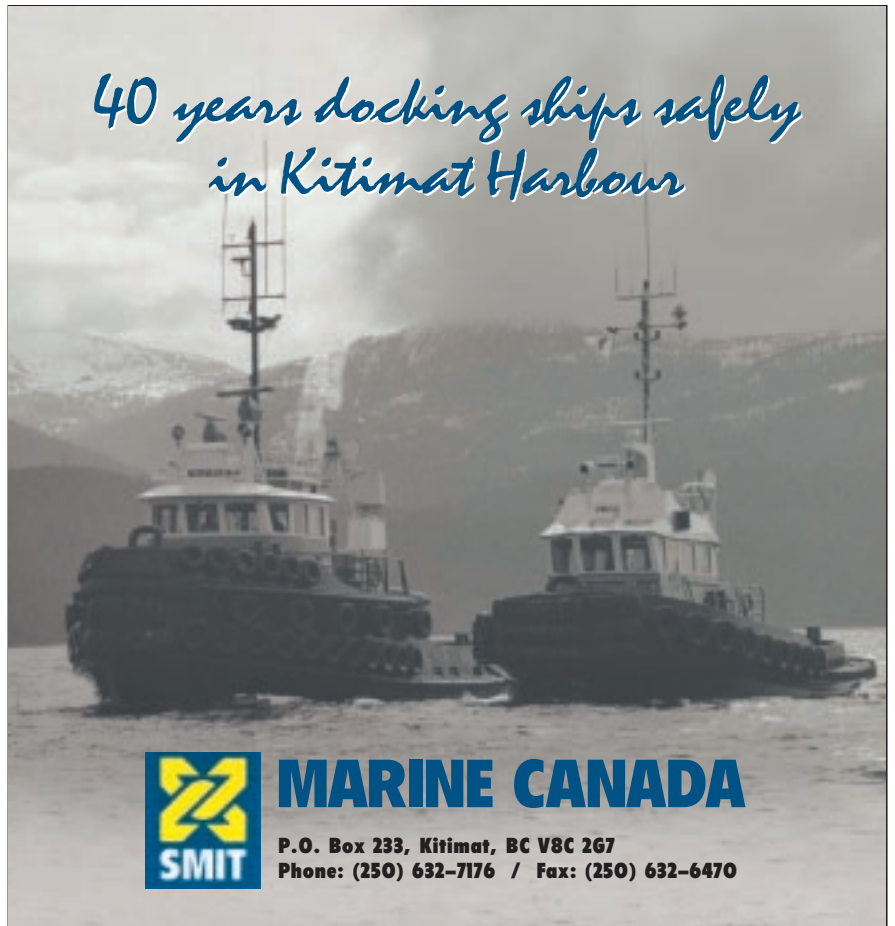
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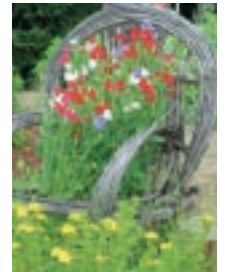
There is an Energy Hub evolving on the north coast of British Columbia with key manufacturing and energy related international trade activities. Adding to the existing power and energy intensive industries located in Kitimat, there are developments in various stages of progress and planning.



This includes:

- an aggregate processing and break-bulk product terminal
- an LNG import terminal, tank farm and natural gas liquids handling facility
- an expanded natural gas pipeline delivering new gas supply to the North American Market
- proposals for Bitumen pipelines, tank farms and terminals for export
- proposals for condensate pipelines, tank farms and import terminals
- proposal for an expanded and modernized aluminum smelter
- proposal for a copper smelter
- potential for large and small co-generation power and combined cycle gas fired power facilities
- other developments that remain confidential

Global investors are drawn to the Private Port of Kitimat because it is private—unencumbered by government control over land and facilities. Located in a Pacific Coastal Valley with over 34,000 acres for port and industrial development and 8,700 acres ready for immediate development, there is unsurpassed room for growth in the Kitimat Valley. Provincial industrial land demand studies peg this location as having *“the largest single tract of developable land on the coast of North America”*. Kitimat also has in excess of 300 acres of Ocean view property and other premier properties for commercial and residential development—including a premier downtown site suited for a business class hotel.



Designed for industry by industry just 50 years ago, Kitimat is an incredible place to live, work and play. Located on the 54th parallel, it is one of B.C.'s most magnificent coastal, mountain and valley settings.

It is:

- a place to work and learn and raise a family or even retire.
- a place where people truly respect and marvel in nature, even while they work in industry.
- a place where safety, environmental excellence and ISO certifications are demonstrated commitments.
- a place where the history of winning conditions for life and business leads to investment.
- a place where over 70% of all homes and business have high speed internet and where you can conduct global business easily and efficiently.
- a place where the highly specialized supply and service sector, through technology applications is seamlessly integrated with industry and business.
- a place where a full 83% of the labor force are either direct or induced employees of major industry.
- a place with excellent technical and academic education opportunities.
- a place where Civic leadership is enduring, service oriented, and judicious and where the priorities are linked to the natural strategic advantages as an industrial and energy hub.

If your family, company or industry is looking for a place to flourish in the 21st century—consider the Kitimat Valley.

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Kitimat LNG Terminal offers sailing times from Pacific Basin LNG ports that are, on average, at least three days shorter than sailing times to LNG facilities in California and Mexico – and that means lower cost access to the largest natural gas market in the world. With regulatory and community support in place, construction will begin in Fall 2006, and the Terminal will be operational by 2009.



For more, visit www.kitimatlng.com or call 1-403-264-3330



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- It provides a one day shipping advantage to Asian Countries and the South Pacific over all ports to the south and offers fast, efficient access from and to the Chicago-south intercontinental marketplace.
- The corridor is the shortest, straightest, flattest route between the Pacific Rim and North American Markets.
- Port of Kitimat to/from Chicago by regular CN rail service is 138 hours for the 2,520 mile distance, which is competitive to the Vancouver-Chicago time of 131 hours (2,496 miles) and superior to that of Prince Rupert.
- It is accessible 24/7/365 with far less road and rail disruption. On average it receives far less snow than the Southern Canadian Corridor and 80 per cent less affected by closures due to weather conditions, avalanches or vehicle-caused traffic suspensions. And, it serves a larger population than that of the south including two provincial capitals.
- The comparative advantage of this corridor, which spans over half of continental Canada, is its routing through the lowest of the five Rocky Mountain Passes. Kitimat allows shipper's access to the closest inland Pacific Port for exports and imports. This leads to huge cost savings.
- As Western Canada's deepest inland deep-sea port – shipping through Kitimat offers substantial savings to exporters and importers given 5:1 ratio of land to ocean transport costs. Kitimat and the Douglas Channel have undergone Transport Canada Termpol Assessment with vessel clearance to 320,000DWT. Vessel traffic is primarily pleasure boats and deep-sea vessels vs. fishing fleets, ferries or cruise ships.
- The competitive advantages of the Kitimat Valley and the Northwest Corridor were chronicled in the 19th century, developed in the 20th century – however it will be the 21st Century users and their global trade benefits that will increase and sustain Canadian Trade throughout the Pacific Rim.



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