

Where now for Texada Island?

Applications by Lehigh Cement for use of Crown land and for provincial tenure for a barge terminal at Davie Bay

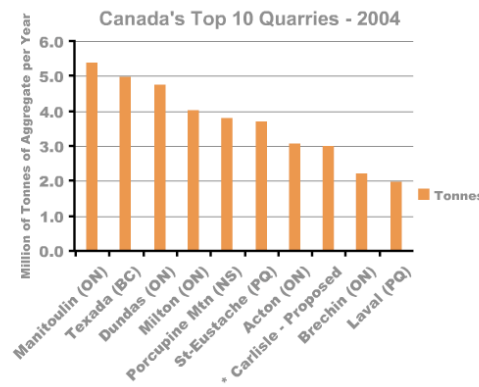


Tom Scott

An analysis of economic, environmental and social needs and opportunities.

1 The Application.

1.1 Lehigh Cement has applied to the BC government for use of the foreshore at Davie Bay, Texada Island, for a barge loading facility and quarry operations above the bay. The quarry would extend over 75 hectares, and subject to market conditions, extract 240,000 tonnes per year of three-inch aggregate limestone for shipment to the Lower Mainland. Lehigh state the new quarry would employ up to 10 people when operating, subject to market conditions. About 60% of the quarry operations would occur on Crown Land. Additionally, Lehigh requires a provincial tenure for the barge loading facility.



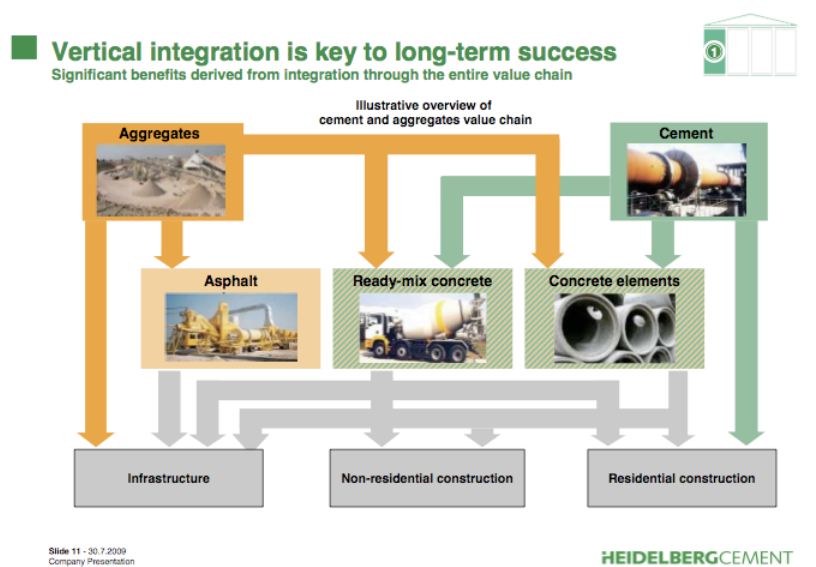
Source: www.stopthequarry.ca/ResourceRoom/Charts/news_rank.pp

1.2 There is no shortage of limestone on Texada. There are three long-established limestone quarries. The largest, TQL is the 2nd largest in Canada, owned by Lafarge, is reputed to have 200 years of supply, and is capable of shipping over five million tonnes per year.

- 1.3 After crushing on site, the aggregate would be loaded via a conveyor, 433 metres in length, seven metres above ground level, supported by several pylons over the causeway and island in Davie Bay to supply a barge-loading facility on the Lasqueti Island side of Texada. The ramp would extend 50 feet past the shore to enable 10,000 tonne barges, 350 feet in length, to load.
- 1.4 The load out conveyor is almost 6 feet wide and can handle 2500 tons per hr. It only needs to run for 8 hrs per month, or one day per month to fulfill the stated production output.
- 1.5 Lehigh Cement, owned by Heidelberg Cement, Germany, is a major customer and competitor of TQL. The current supply contract is due to expire in 2013. The production of 240,000 tonnes per annum would be less than 5% of the TQL quarry 15 kms up the coast
- 1.6 The Davie Bay quarry would be low volume, high cost, so Lehigh would be anticipated to use the Davie Bay quarry as a price hedge against Lafarge. Lafarge's quarry at Gillies Bay has economies of scale and is a low cost producer. The most viable economic model for Lehigh is to retain contracts with TQL, accumulate material on site and ship in bulk only at times of high prices. Hence production and jobs would be intermittent, so the value to Texada's economy would be low. Jobs created at Davie Bay may be jobs lost at TQL

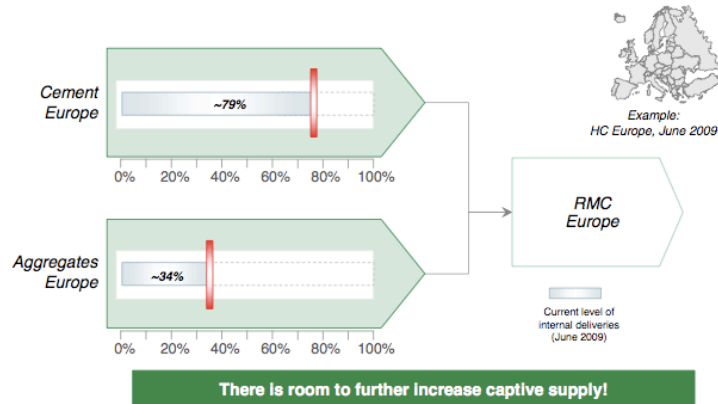
2 Heidelberg Cement.

- 2.1 Heidelberg Cement, the parent of Lehigh Northwest, is a non-investment grade, cash constrained company, rated B- (S&P) and B1 by Moodys. The outlook is negative in both cases.
- 2.2 Heidelberg has been following a global strategy of vertical integration, which it sees as key to long-term success and strategic advantage. Upstream this is achieved by securing captive supplies of aggregates. The company admits it is well positioned for the long-term supply of aggregates.



Substantial upside through additional integration

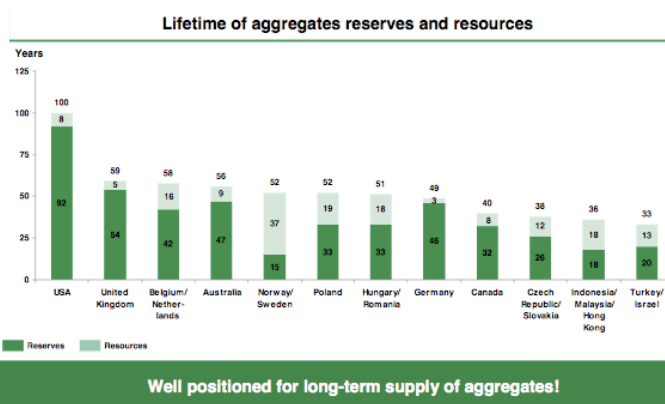
Captive supply



Source: HeidelbergCement
Slide 16 - 30.7.2009
Company Presentation

HEIDELBERGCEMENT

Long-term aggregates reserves in key markets



Source: HC internal analysis
Slide 18 - 30.7.2009
Company Presentation

HEIDELBERGCEMENT

Source: Heidelberg Cement. Company presentation by Dr Bernd Scheifele, Chairman of the Managing Board. July 2009

3 Projected cash benefit to Texada--less than 1%.

3.1 In term of measuring the ongoing incoming cash benefit to Texada, Lehigh offers the prospect of employment of 5-9 people subject to market conditions, but this would be intermittent, as TQL would offer highly competitively priced material as the nearby low cost producer.

3.2 The average income of unattached individuals in Canada was \$29,800 in 2007. The median income for one person households on Texada was \$26,500. There were 1,000 persons above the age of 15, so assuming an average income of \$29,000 and 1,000 persons; this would place Texada's economy at about \$29m, excluding corporate tax receipts. The contribution of Lehigh based on 7 full time jobs would be \$280,000 assuming gross income of \$40,000 per person. So the economic contribution of the Lehigh quarry to

Texada's economy would be highly marginal—less than 1%. If we add the corporate receipts from TQL to the denominator the gross increment would be measured in just basis points.

<http://www40.statcan.gc.ca/l01/cst01/famil21a-eng.htm>
<http://www12.statcan.ca/census-recensement/2006/dp-pd/prof/92-591/details/page.cfm?Lang=E&Geo1=CSD&Code1=5927018&Geo2=PR&Code2=59&Data=Count&SearchText=Powell%20River&SearchType=Begins&SearchPR=01&B1=All&Custom=>

4 Texada's Economy. High exposure to the aggregate sector

4.1 Texada's economy is already heavily exposed to a single cyclical resource industry, namely the aggregate sector, which means it is at the bottom of the value chain, and subject, more than BC, to the cyclical patterns of the global economy. Approval of a new quarry would only worsen Texada's exposure.

4.2 Diversity key. *Mickey Feldman, Victoria, BC*

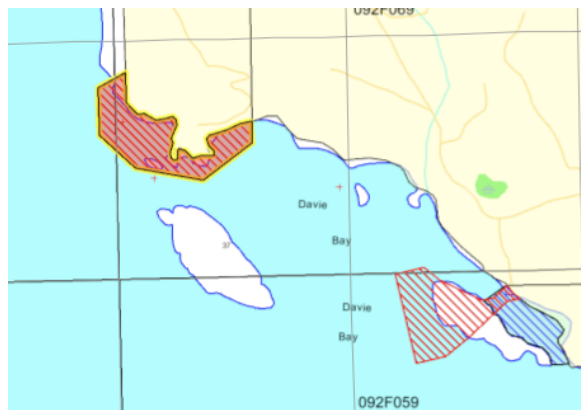
"I have heard Texada Islanders express concerns about the island's economy, that it might be difficult to justify keeping the school open, that more young people are not moving there, et cetera. A vibrant economy is essential for the health of a community, but how this can be achieved sometimes requires not just hard work, but imagination

There are already three quarries on Texada, all producing below capacity. Since Lehigh is a customer of one of them, a job gained at a Davie Bay quarry would be a job lost at another. And if Davie Bay becomes another quarry site, then any chance of it being used in some alternate fashion—a marina, an eco-tourism destination, a park, a retreat centre—would be lost forever.

The key to a sustainable economy is diversity. Putting another of Texada's economic eggs in the quarry basket would not be the best choice."

Source: Powell River Peak. July 15, 2009
<http://prpeak.com/articles/2009/07/15/opinion/letters/doc4a5d32c580362342511569.txt>

5 UREP designation for Davie Bay.



5.1 Davie Bay, Texada is an area of outstanding natural beauty, and the northern part of the bay has been designated a UREP since 1973. This means that its significance would have been appreciated by an earlier generation regional district. Its designation predates the Lehigh acquisition of the Davie Bay lands by some twenty years.

5.2 The barge loading facility would be approximately 500 meters from the UREP, and the quarry situated above. Those familiar with winds in the Straits will appreciate that dust would penetrate the UREP and

foreshore area. Close co-existence of a public amenity area and an operating limestone quarry is not in the public interest.

- 5.3 The OCP indicates specific obligations with respect to UREP's, particularly on the development of incompatible uses on adjacent land, and maintenance and enhancement of public access.

B.8.f. SEEK to preserve the recreational value of UREPs, provincial and regional parks, existing unmanaged or potential recreation areas and forestry sites as identified on Map D. Wherever possible, development of incompatible uses within or adjacent to these areas will be discouraged.

B.8.g. ENSURE, as far as possible, that public access to and use of those public lands and foreshore areas identified as being suitable for recreation are maintained or enhanced as development occurs.

6 Public Access.

"One would think that the residents of the largest island in the Strait of Georgia would have numerous points of access to the ocean - not on Texada, not legally anyway. There are some stretches of shoreline on Texada without public foreshore access for distances of more than 10 kilometres. Why? The answer lies in the fact that the large majority of waterfront property on the top half of Texada is owned by four foreign owned resource companies: French-owned Lafarge, American-owned Ashgrove Cement, German owned Texada Island Forest Reserve Ltd. and German-owned Lehigh. These companies together hold thousands of acres of prime waterfront, usually in large blocks of more than 100 acres each. The Crown usually acquires legal public access at the time of subdivision, but these companies are generally expanding their holdings and seem to have no plans of subdividing. One day these companies will tighten up their trespass rules to accommodate one or both of their current buzz-words: security and liability. In short, we on Texada are in danger of becoming islanders with very limited access to the water

The Lehigh application presents an interesting situation. Currently the public can legally access the foreshore and small publicly owned island that Lehigh has applied for, via an existing forest service road. If Lehigh has its way then the public would lose not only the land but also the access to the foreshore, which will then be held by Lehigh. The result will be that there will be no legal public access in this area at all.

How can anyone at any level of government that claims to represent the public interest allow this to happen? The public should probably be given two or three public access points in this area, but Lehigh should at the minimum be required to replace what it is taking away, namely 10 acres of waterfront complete with public access. At the end of the day I cannot see the premier of this province being able to credibly defend his government's handling of Lehigh's proposal unless the public on Texada can legally sit on the waterfront of Davie Bay. They can now and must be able to continue to do so in the future."

Source: Powell River Peak. July 15, 2009. Chuck Childress. Viewpoint
. <http://www.prpeak.com/articles/2009/07/15/opinion/viewpoint/doc4a5d327711870194442156.txt>

7 Lehigh application carries high opportunity cost

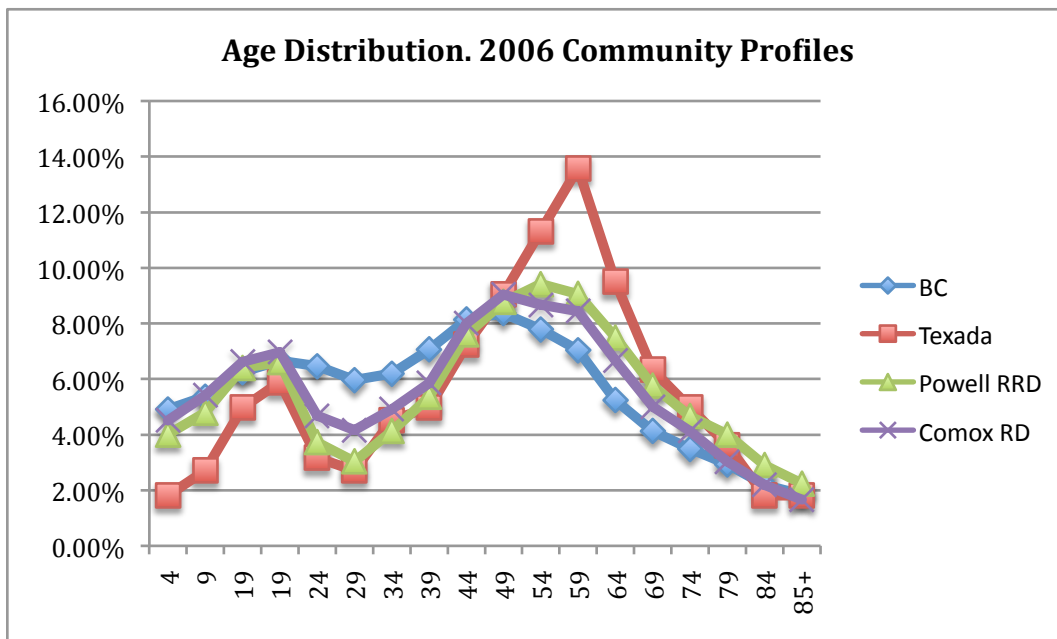
- 7.1 The quarries on Texada are to the north of the island. To the south Texada is still largely a natural wilderness area, with the most stunning rugged natural beauty of all the Gulf Islands. If this quarry is permitted mid-way down Texada, all this would change.

- 7.2 Texada has huge potential for recreation, nature tourism, wilderness activities, as a holiday destination and as a retirement community. These activities create their own economic opportunities offering

sustainable economic base. Abuse of Texada’s environment could affect the decisions of people wanting to move or stay here, and threaten economic options for the future.

- 7.3 The opportunity cost of the Davie Bay project or economic opportunity loss to Texada is potentially very high. The lands in and around Davie Bay have a high public amenity value. The Lehigh application threatens the limited access to waterfront on Texada, the potential development of a public amenity area at Davie Bay, and more general development of a viable recreational sector on Texada.

8 Age Profile. Texada.



Source: Stats Canada. <http://www12.statcan.ca/census-recensement/2006/dp-pd/prof/92-591/details/Page.cfm?Lang=E&Geo1=CSD&Code1=5927018&Geo2=PR&Code2=59&Data=Count&SearchText=Powell%20River%20D&SearchType=Begins&SearchPR=01&B1=All&Custom=>

- 8.1 The published age profile of Texada illustrates the demographic issues. Texada, like the PRRD, have failed to retain those young people in their 20’s and 30’s who go elsewhere for jobs and opportunities. Retention of these age groups are critical to the development of viable communities, the building of families and schools, and the sense of “belonging”. Texada in particular has a very low number of residents aged below 15, relative to its population.
- 8.2 Although the population of Texada has declined by 1.9% in the 2001-06 period (BC + 5.3%, Powell River - 0.2%) it has established itself as a retirement community, bringing with it the economic opportunity and costs associated with a proportionately older population than the BC or Powell River average.
- 8.3 For the PRRD, BC Stats states “Although this area is attempting to diversify its economy, developments in the forest sector will continue to have important impacts on the employment base of the area. The region is projected to receive small, but increasing, net inflows of migrants throughout most of the period. However, increasingly negative natural increase values are expected to negate any gains made through migration to the area. As a result, the population for this area is expected to decline by about 1,500 people by the end of the projection period. The population will continue to age and, by 2036, this region will likely have about 9.5 dependents for every 10 people of working age and the vast majority of these dependents will be seniors”

Ministry of Citizens' Services **Quarterly Regional Statistics** Interim Report, Second Quarter 2009

- 8.4 Clearly it is important for the PRRD and particularly Texada to diversify its economy and try to address ways to attract younger people to Texada. On Texada there have been some recent initiatives including setting up of the Gillies Bay Internet Society to bring high speed internet to Gillies Bay and surrounding area, plus new ventures.
- 8.5 Approval of a new quarry would not help this initiative: it would positively hinder it, by taking away those more attractive attributes of Texada; why people come here in the first place. It could even deter retirees coming onto the island (so the imbalance could be addressed that way!) It would almost certainly do a lot of damage to our tourism potential and for attracting new comers, who want to set up businesses and live in a valued and protected environment.

9 Environmental issues

- 9.1 This analysis does not review in detail the environmental issues relating to this project (addressed elsewhere), but these are substantial and significant, Davie Bay is an area of outstanding natural beauty on Texada's SW coast, with potential for a provincial park. Fisheries and Oceans Canada has designated the offshore areas of Davie Bay as a rockfish conservation area. There is a substantial karst cave system in the Davie Bay area.
- 9.2 Here is an extract written by David Moore to the PRRD, dated August 9-2009

"It helps to consider the map of Texada and understand the location of Davie Bay and what lies close around it.

Davie Bay is near the mid-point of Texada Island's west coast. Like Powell River, it faces the glorious setting sun and its visual aspect is a stunning view of Vancouver Island. Davie Bay is a natural environment of exceptional beauty. Rocky and rugged it is enhanced by the sculptural presence of small moundy islands, which resemble huge whales at rest in the tidal pools.

Davie Bay is about mid-way between Shelter Point Park and the recreation site of Shingle Beach. These are two other gems of Texada's natural endowments which islanders and visitors revere for not only their beauty but the fact they are blessed with year round road access to the public.

Stretching southeast from Mouat Bay near Shelter Point leading in the direction of Davie Bay is a wonderful hiking trail through the forest along the shoreline, which is one of the best places in the PRRD to see old growth Douglas Firs that are in the hundreds of years old. About ten kilometers further southeast, Shingle Beach is a terrific spot for day visits or wilderness camping. The beach itself is perfect for kayaks and for people - it consists of uniform coarse sand that cushions the bow of a boat landing and doesn't stick to skin or bare feet! Looking out from Shingle Beach one can clearly glimpse in the near distance Lasqueti Island and between it and Texada the once private Jedediah Island. It is now a Provincial Park thanks to the efforts of dedicated conservationists; it now joins Sabine Channel Provincial Park and the nearby South Texada Island Provincial Park and others, which make these immediate waters into a boaters' paradise.

These small islands and protected waters make up an archipelago, which from a bird's-eye view have an obvious affinity to the whole southwest shore of Texada. Davie Bay is thus situated, one could say, on an axis, which has in close proximity the natural attractions of Shelter Point, Mouat Bay, Shingle Beach and the Jedediah group. On this point alone I could rest my case that Davie Bay has a higher and better use than a barge port for a rock quarry".

10 Texada Official Community Plan 2005

There are far-reaching environmental, economic, social and heritage objectives contained in the OCP (Section III) designed to protect and enhance sustainability objectives. In particular Section B.7, Coastal Development states

10.1 B.7. COASTAL DEVELOPMENT (quote from the OCP)

Texada's coastal area, i.e. the offshore, the foreshore and adjacent uplands, has great environmental, economic and aesthetic value for the planning area. It comprises important fisheries resource areas, some unique and sensitive environmental features and many sites suitable for public use and enjoyment. It is also in demand for industrial, aquacultural, recreational, commercial and residential development. Despite the Island's lengthy coastline, limited waterfront access and rocky uplands require that these varied and sometimes incompatible uses concentrate in a few accessible and protected bays. The Plan tries to accommodate uses which are dependent upon a waterfront location, particularly quarrying and forest industry uses. At the same time, however, it acknowledges the foreshore as a public resource and seeks to ensure maximum public access and enjoyment. Accordingly, multiple use of coastal areas is favoured, wherever feasible. Where it is necessary to establish a priority to avoid future conflicts or degradation of the coastal resources, private interests, long-term public requirements and environmental impacts will be considered. While planning for development, the aesthetic value of the coastal area must not be ignored. Wherever possible, the beauty and natural character of the shoreline should be preserved as they contribute to the quality of life on the Island and, with ongoing tourism promotion efforts, will assume increased economic significance".

10.2 Policy B.7.f. states specifically "locate public launch ramps, docks or other physical structures where they will not result in degradation of other important coastal features, such as recreational or shellfish beaches".

10.3 Protection of UREP status lands have been addressed in paragraph 5 of this note.

10.4 Section B.5.c. of the OCP supports *as a general principle*, the expansion of limestone quarrying operations and the development of associated secondary industries. However it adds that the community would like the opportunity to review mining and quarrying development plans. So it was clearly understood, then, that individual quarry developments would be subject to review based on individual merit.

10.5 The Lehigh Application for use of Crown land and provincial tenure for the barge terminal does NOT meet the OCP standards re:

- The environmental, economic, social and heritage objectives (iii)
- the protection against Coastal Development (B7)
- the protection of recreation and UREP designated areas (B8)

11 Defining Debate

"Texada Island residents are in the process of defining themselves and their community, a discussion that resonates in Powell River as well.

A proposal by Lehigh Hanson Materials Limited to develop a new quarry operation in the centre of the island has triggered a debate on Texada. The company is proposing to mine 20,000 tonnes a month and to move the crushed limestone aggregate on a conveyor belt down to a barge terminal at Davie Bay. Although the company owns about 1,000 acres in the area, including 3.5 kilometres of waterfront, about 60 per cent of the quarry operation would occur on Crown land. Additionally, the company needs a provincial tenure for the barge terminal.

Davie Bay is a popular recreation destination for island residents and visitors. It's an area of outstanding natural beauty and the shoreline and islands have been described as spectacular and stunning. The barge terminal would be located in a rockfish conservation area, although the company says the conveyor belt and barge terminal would not have an adverse impact on the conservation initiative.

The proposal has divided the island. The arguments in favour of the development include the fact that Texada is an industrial island, that people who live there need jobs, that the company owns the land it wants to develop and the company has a track record of being a good corporate citizen.

The arguments against the proposal include the fact that the area around Davie Bay will be scarred, Texada needs to diversify its economy through recreation and tourism and an industrial development in the sensitive mid-part of the island will threaten the economic and environmental balance of the island.

Imagine what the discussion would be like in Powell River if another paper company proposed to develop a new mill, say on Hurtado Point, north of town, or the Stillwater Bluffs, south of town. While it's not likely to ever happen, the discussion would be the same, if not more intense, on this side of Malaspina Strait.

Texada Island residents are having a good look at themselves. They are defining what they value, how they see their community growing and prospering and how they can balance the two. It's an important debate that will shape the community's future".

Source: Editorial, Powell River Peak, July 8, 2009

12 Summary

When reviewing the potential use of Crown land the ILMB must ensure that economic, environmental and social needs and opportunities are identified and supported.

Specific tests are

- A Lands will be allocated to achieve government's strategic direction and priorities, as may be expressed through goals, strategic plans, Ministry Service Plans, sector strategies, business plans and other decisions of government.
- B Crown land allocation should promote investment and open trade, and provide improved access to markets. Innovation should be encouraged, especially where entrepreneurship and investment opportunities can be leveraged.
- C Crown land allocation should support healthy communities after identifying and considering community values and interests.
- D Crown land allocation should maintain or create a high quality natural environment.

12.1 **Test A. Government's Strategic Priorities**

12.1.1 The BC Throne speech indicated that green energy will be a cornerstone of British Columbia's climate action plan. Electricity self-sufficiency and clean, renewable power generation will be integral to our effort to fight global warming.

12.1.2 In the recent BC Utilities Commission decision on BC Hydro's LTAP application, it was reported that BCH was planning to rely on Demand Side Management (DSM) to fill 78% of the load/resource gap of 14,000 Gigawatt hours to the year 2020. BC Hydro is one of the lowest cost producers of electricity in the world--the rate in 2008 for large industrial users was 3.49c/Kwh. But the new power coming on the system is about 20 times more expensive than historical embedded-cost generation. This new generation as well as being expensive, is also limited and non-firm. Given the self-sufficiency rules by 2016, the only way BC Hydro could make the sums meet, was to say that DSM (cutting demand) would fill the gap.

12.1.3 Without planning for new sustainable firm energy, BC is likely to be in a poor strategic position, relative to the demand/supply balance. DSM on a scale contemplated by BC Hydro will mean steep inclined rates to discourage use through the price mechanism. If we are to be self-sufficient in BC by 2016 and use green and clean energy efficiently in the fight against global warming, then BC must be selective in the new industrial projects it supports, otherwise essential sectors and businesses will be damaged by needless electricity rate increases. Frivolous projects must be rejected. In this case the regulators must insist on Lehigh and TQL reaching a satisfactory commercial arrangement for the exploitation of a BC resource at Gillies Bay, which is the 2nd largest aggregate quarry in Canada.

12.1.4 The Lehigh-Hanson cement manufacturing plant in Delta is BC's 3rd largest GHG emitter (Stats Canada). New carbon taxes and GHG emission caps give uncertain economic prospects for the cement business, and as a substantial player, for Lehigh's corporate fortunes. These taxes are likely to radically affect behavioral and investment decisions putting much broader policy questions to those in government seeking to restrain GHG emissions. At the present time, as part of the green energy plan, the BC government should be particularly cautious in the approval of new projects that emit GHG. Only those meeting or exceeding the public interest tests should be approved, and this project clearly does not.

12.2 **Test B. Promotion of investment and open trade, innovation and entrepreneurship.**

The Lehigh application is all about capturing upstream aggregate supply-- it is seen as the key to long-term success. Heidelberg already has substantial reserves in all global markets including Canada. The TQL quarry at Gillies Bay 15 km up the coast is the 2nd largest aggregate quarry in Canada and capable of supplying Lehigh with low cost aggregate for many years. Lehigh will simply use potential Davie Bay supply as a hedge against price gouging by TQL. On the basis of the forgoing the Lehigh project most definitely fails the test of innovation, open trade and entrepreneurship.

12.3 **Test C. Support healthy communities, identifying and considering community values and interests.**

12.3.1 The PRRD has recognized the need to diversify its economy and to attract individuals who through their enterprise will create and maintain a thriving economic and social community. This is particularly so of Texada given its exposure to a single cyclical resource aggregate sector. Individuals and entrepreneurs have located to Texada in recent years setting up enterprises and social endeavours that have broadened the economic and social base, still in the context of the dominance of the aggregate sector. These are service, tourism, recreation, artist, artisan and knowledge-based activities. Texada badly needs to build on these initiatives and create a myriad of businesses based on competitive advantage.

12.3.2 Texada's most significant competitive advantage is the stunning and rugged beauty of its environment, close to major population centres. Most compelling is the sweeping beauty of the SW coast stretching from the park at Shelter Point to Shingle Beach. It quite clearly needs to protect this natural advantage and phenomenon if it is to build its tourism and recreational businesses with any conviction. Texada offers safe nature tourism in the bush, as there are no bears or cougars on the island. These activities create their own economic opportunities offering a sustainable economic base. Preservation of Davie Bay and access to the foreshore and islands in SW Texada is central to this Texada business proposition. Better access to the provincial park in the south of Texada is also part of that initiative.

12.3.3 Preservation and access to this area is also vital to attracting individuals and businesses to Texada in all sectors. Companies and employees will be encouraged to invest and set up on Texada safe in the knowledge that the most beautiful parts of the environment are to be preserved, are safe and secure, and are to be enjoyed.

12.3.4 The new quarry development mid-way down Texada on the SW coast would do permanent damage to this future Texada business and demographic proposition, for a highly marginal cash benefit. The social, economic, environmental and amenity costs for Texada far outweigh any questionable cash benefit.

12.4 **Test D Maintain or create a high quality natural environment.**

Using valuable amenity Crown land for low value corporate activities would be inconsistent with the ILMB tests. Lost would be the cave and karst system, the rockfish conservation area, the natural beauty of the small islands and protected waters that make up an archipelago on the southwest shore of Texada and any effort to develop the amenity of the area designated as a UREP.

These are some of the substantial reasons why this project should be rejected

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September 1,2009

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