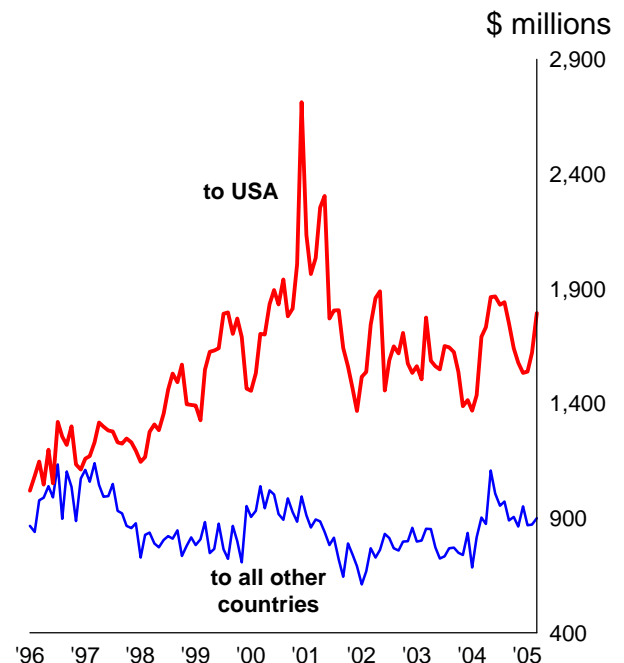


Exports ♦ March 2005

- The value of BC origin exports expanded 10.1% in the first quarter of 2005 compared to the same period a year earlier. Higher commodity prices, particularly for metals and energy products, are driving the increase.
- Exports of metallic mineral products are up 61.2% in the first three months of 2005 compared to the first quarter of 2004. The value of molybdenum shipments has almost quadrupled (+299.0%), which has vaulted it ahead of exports of both aluminum and zinc. There has also been a strong demand for copper ores and concentrates as exports of that commodity have risen 78.7%.
- Shipments of energy products have climbed 25.7% in the first quarter of 2005, mainly on the strength of a 50.5% jump in shipments of coal and an 18.7% rise in exports of natural gas. The value of electricity transmissions to international destinations also experienced strong growth (+11.1%). While the rise in coal exports was due to both increased demand and price inflation, the increase in electricity and natural gas exports was entirely due to a jump in prices as quantities shipped actually fell.
- The forest sector continued to see mixed results as exports of solid wood products increased 8.5%, but shipments of pulp and paper products dropped 4.7%.
- Shipments of machinery and equipment edged down 1.0% in the first quarter. A 10.6% boost in exports of motor vehicles and parts was offset by a 17.0% decline in shipments of electrical, electronic and communications equipment.
- With the exception of Hong Kong (-15.6%), BC origin exports to most Asian destinations have increased significantly in the first quarter, particularly to India (+156.3%) and China (+29.2%).
- Exports to the United States (+10.3%), the European Union (+13.0%) and the Pacific Rim (+8.4%) all experienced strong growth in the first quarter.

Shipments of energy and metal products are driving up total BC origin exports

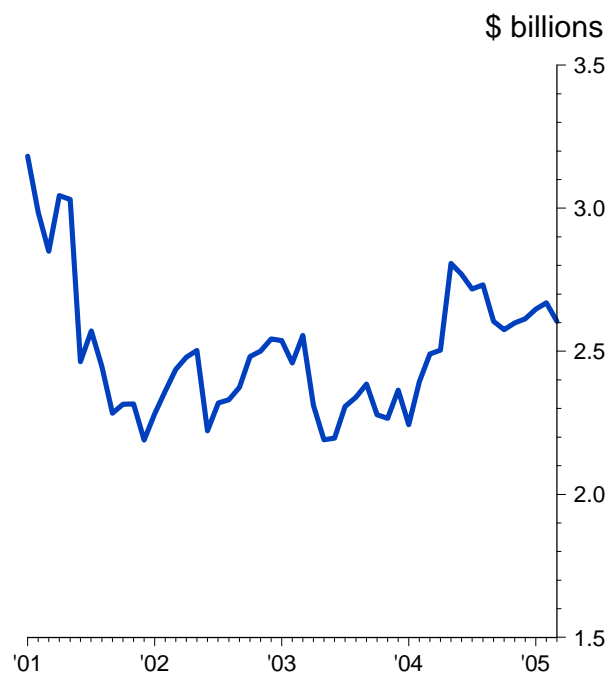


SEASONALLY ADJUSTED EXPORTS

*BC exports (adjusted for seasonality)
slipped in March*

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- BC origin exports adjusted for seasonality slumped 2.5% in March as exports of forest sector (-2.1%) and industrial & consumer products (-6.3%) reversed course from increases in the last few months.
- Shipments to the United States edged down 0.5% as growth in exports of energy (+6.3%) and machinery, equipment and automobiles (+1.6%) was not enough to offset losses in other commodity groups.



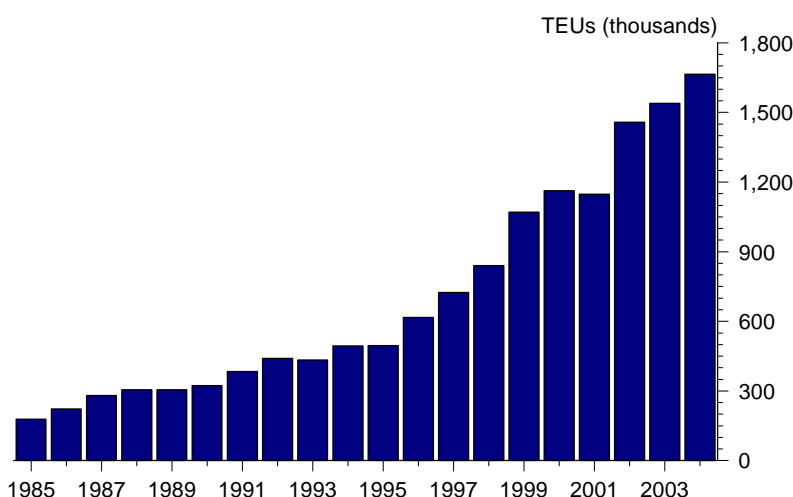
BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Mar 2003	209	567	1,030	334	416	2,555	1,747
Apr	193	380	972	329	438	2,312	1,459
May	178	373	936	324	380	2,191	1,475
Jun	181	409	937	316	352	2,196	1,522
Jul	195	412	979	315	405	2,307	1,571
Aug	187	418	1,003	312	419	2,340	1,571
Sep	192	415	1,050	308	421	2,385	1,593
Oct	162	397	1,042	308	370	2,278	1,535
Nov	167	310	1,061	296	432	2,266	1,471
Dec	212	357	1,035	318	442	2,364	1,543
Jan 2004	170	330	1,032	307	404	2,243	1,503
Feb	181	345	1,082	328	457	2,393	1,508
Mar	189	362	1,172	318	450	2,491	1,629
Apr	185	334	1,180	313	492	2,504	1,648
May	190	423	1,315	347	533	2,807	1,762
Jun	205	376	1,340	349	500	2,769	1,803
Jul	200	403	1,256	352	507	2,718	1,780
Aug	196	394	1,265	342	536	2,732	1,752
Sep	196	318	1,247	337	506	2,604	1,707
Oct	209	347	1,175	343	500	2,575	1,664
Nov	211	433	1,110	345	500	2,599	1,673
Dec	187	446	1,130	322	529	2,613	1,692
Jan 2005	188	437	1,139	332	551	2,647	1,709
Feb	182	436	1,160	327	566	2,670	1,756
Mar	170	439	1,135	330	530	2,605	1,747

Any BC Port in a Trade Storm

Burgeoning trade with Asia has put stress on British Columbia's sea ports and transportation systems, which has spurred port expansion both in Vancouver and Prince Rupert. The process has already begun in Vancouver with the recent arrival of three new cranes, which have substantially bolstered the Port of Vancouver's capacity for handling container cargo. Over the last decade, there has been a significant increase in the use of containers to ship goods, which is reflected in the expansion in containerised cargo traffic at the Port of Vancouver. From 1994 to 2004, containerised cargo moving through the Port of Vancouver more than tripled from 494,000 to 1,665,000 **TEUs**.¹

Containerised cargo traffic at the Port of Vancouver has skyrocketed in the last decade



Source: InterVISTAS Consulting Inc. (using Port of Vancouver statistics)

The move towards containerised cargo, particularly with respect to goods shipped to and from Asia, is the impetus behind expansion efforts in Prince Rupert as well. Plans for a new container port facility in Prince Rupert were recently announced that would allow the port to annually process up to two million TEUs of cargo by 2009. This compares to the Port of Vancouver's capacity of 1.8 million TEUs in 2004 (i.e., before the addition of the new cranes). The container port will be built in two phases with a 500,000 TEU capacity in place by next year and a further 1.5 million TEU by 2009. The combined federal-provincial funding for the port expansion also includes money for upgrades to rail transportation. This project is a huge boon to the north coast city and should give the Port of Prince Rupert "superport" status.

The expansion of BC sea ports is key to maintaining the economic health of not only British Columbia, but also Canada as a whole.

¹ InterVISTAS Consulting Inc., *Port of Vancouver Economic Impact Update*, April 2005.

High volumes of commodity shipments have put a strain on the capacity of BC's sea ports

TEU (twenty-foot equivalent unit)

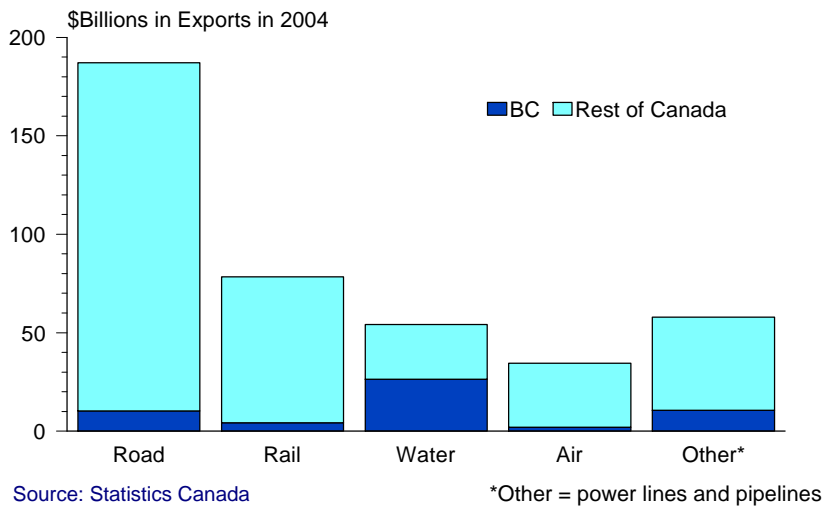
Standard measure of container traffic based on the length of a container (e.g., a 40-foot container would be 2 TEUs)

The volume of containerised cargo moving through the Port of Vancouver has more than tripled in the last decade and has increased 835% since 1985

The Port of Prince Rupert has received the go ahead to build a container facility

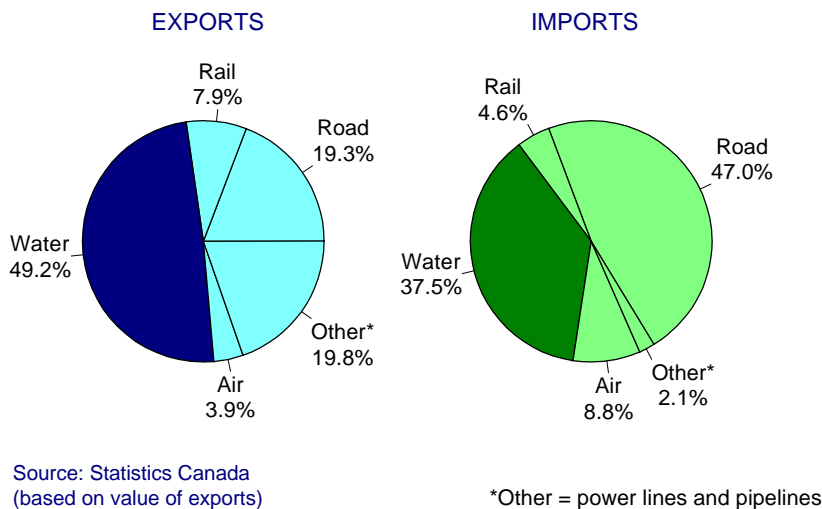
In 2004, 11.3% of Canadian international commodity shipments were transported through BC customs ports (13.0% of all Canadian exports and 9.3% of imports into the country). However, for those goods shipped over water, the percentage jumped to 32.8%. BC sea ports were particularly important for exports (48.6% of Canadian goods transported over water were shipped from BC sea ports), but less so for imports (19.3%). Imports are far more likely to enter BC via truck (47.0%) compared to exports leaving the province (19.3%).

Almost half of Canadian exports shipped over water exit the country through BC ports



BC's sea ports handle about half of all Canadian exports shipped by boat

The mode of transport of goods via BC ports in 2004 differed significantly for exports vs. imports



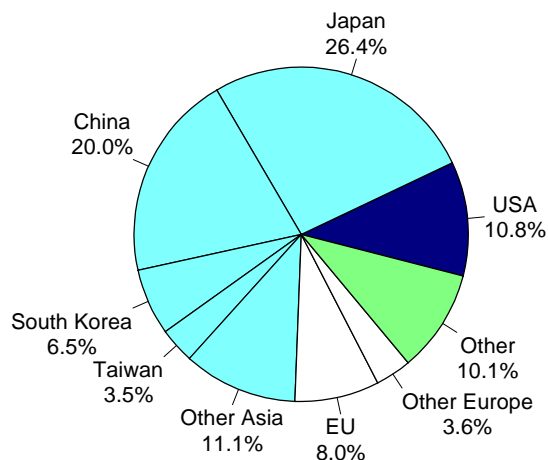
A higher percentage of goods exported through BC travel by boat compared to commodities imported into the province

The mode of transport of goods imported into BC has been fairly consistent over the last decade; however, there has been a shift in the mode of transport of exported goods. The significant rise in exports of natural gas and electricity to the United States over the last few years has resulted in a change from water-based transport

to “other” modes of transport (i.e., power lines and pipelines). As such, the share of exports transported over water has declined from 61.9% of all exports shipped through BC customs ports in 1994, to only 49.2% in 2004. However, that does not imply that exports shipped by boat have fallen. In fact, the total value of Canadian goods shipped through BC sea ports has climbed 28.5% over the last decade.

The mode of transport of an exported good depends mainly on the type of commodity being shipped and the intended destination. For example, the majority of goods destined for the United States are transported by truck or train. In general, transporting cargo by boat is much cheaper than flying the goods to their destination, which is why most goods exported to destinations overseas are shipped over water. The influence of the expanding Asian market can be seen clearly in the breakdown of exports transported over water by destination. Canadian commodity exports to Japan (26.4%), China (20.0%) and South Korea (6.5%) together comprised over half of all shipments through BC sea ports in 2004. Overall, more than two-thirds of Canadian goods shipped through BC sea ports were headed to Asian destinations.

Most exports of Canadian goods shipped over water through BC ports in 2004 were destined for Asia



In 2004, over two-thirds of exported goods moved through BC sea ports were destined for Asia

Source: Statistics Canada (based on value of exports)

With BC's location on the West Coast, it is not surprising that most of the goods travelling to and from Asian countries are shipped through this province. In terms of travel time, all of BC's major sea ports are closer to Asian ports compared to their American competitors.

British Columbia has a strong maritime presence with 135 private and public ports including six Canada Port Authorities that are under federal jurisdiction.²

² Ministry of Small Business and Economic Development, Ministry of Transportation, *British Columbia Ports Strategy*, March 2005.

Port of Vancouver

The Port of Vancouver is one of the six Canada Port Authorities in the province and is by far the largest of BC's sea ports. It is also the busiest port in the country with 67.9 million tonnes of goods handled by the port in 2003 (including 1.9 million tonnes of domestic cargo).³ That compares to only 43.7 million tonnes for the second busiest port, Come-By-Chance in Newfoundland and Labrador. However, in terms of international cargo, Vancouver was even more dominant, handling over a fifth (21.5%) of all cargo going to or coming from international locales. The 66.1 million tonnes of international cargo handled at the Port of Vancouver dwarfed the 24.4 million tonnes cleared through Come-By-Chance.

The Port of Vancouver is the busiest port in the country

According to a recent impact study prepared by InterVISTAS Consulting Inc., the Port of Vancouver directly employed 30,100 people in 2004 and generated an additional 39,100 indirect and induced jobs across the country. The study estimated that the Port directly contributed \$1.8 billion in direct GDP, rising to \$4.0 billion with indirect and induced impacts included. If accurate, these numbers certainly attest to the importance of the Port to the provincial economy.

Over three-quarters of maritime cargo moving through the Port of Vancouver is comprised of **bulk cargo** (77%). The most significant bulk commodity processed at the Port is coal, followed by grain, sulphur and potash. **Break bulk cargo** made up about 4% of the goods shipped through the Port of Vancouver in 2004. Forest products such as wood pulp and lumber account for most of the break bulk cargo shipped through Vancouver. Both bulk and break bulk cargo have been declining as a percent of total marine shipments through Vancouver as containerised cargo shipments have increased in popularity. Wood pulp and lumber are the top containerised commodities, comprising about a quarter of all containerised cargo shipped through Vancouver. The composition of container cargo is much more diverse than that of bulk and break bulk, which is a reflection of the ability to ship a variety of goods in the same container.

Bulk cargo

Dry or liquid cargo shipped without packaging (e.g., coal, grain)

Break bulk cargo

Cargo handled in individual units (e.g., rolls of newsprint)

Fraser River Port

The Fraser River Port is also a Canada Port Authority and is the second largest port in the province. The Fraser River Port Authority manages the southern arm of the Fraser River (the North Fraser Port Authority manages the northern arm and basically deals with domestic cargo only). In 2003, the Fraser River Port processed 7.7 million tonnes of domestic cargo and 5.9 million tonnes of international cargo, ranking it 12th in the country in terms of total tonnage handled.

³ Statistics Canada, *Shipping in Canada - 2003*, cat. no. 54-205-XIE.

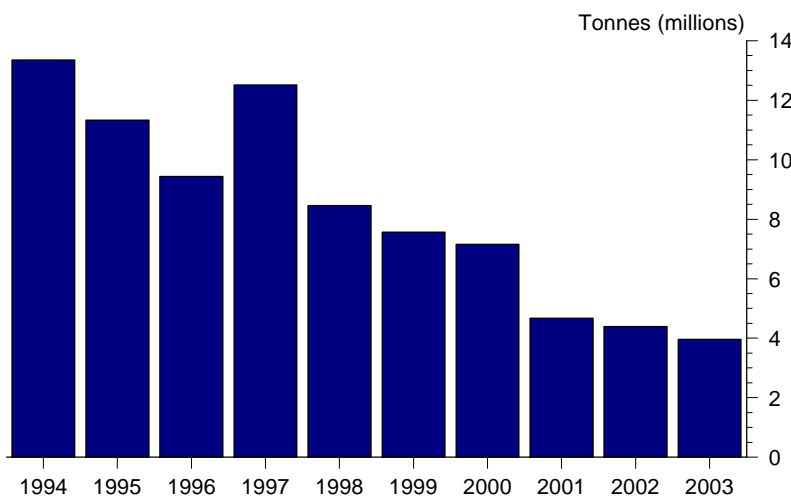
As with the Port of Vancouver, an increase in containerised cargo has contributed to the growth in activity at the Fraser River Port. Cargo shipped through the Port is weighted slightly in favour of exports (about 56% of cargo handled at the Port were exported goods, according to data from the Port Authority), which mainly consist of forest products, cement and general cargo. The main imported goods are general cargo, steel and automobiles. In fact, Fraser River is Canada's largest autoport. In 2004, the Port received 437,190 vehicles, which was one-quarter of all new vehicles sold in the country.⁴ About 65% of these were transported into the country by ship, with the remainder arriving by rail.

The Fraser River Port is Canada's largest autoport

Port of Prince Rupert

The Port of Prince Rupert has suffered a series of setbacks over the last several years that have dropped it in status from the second busiest port in the province to third. The closure of the pulp mill in Prince Rupert and the northeast coal mines near Tumbler Ridge had a substantial impact on Port activity, as shipments of pulp and coal virtually ceased. At the same time those events were taking place, drought conditions in the Prairies reduced the volume of grain shipped through the Port. However, the Port is in line for a dramatic turnaround due to the commitment to build a container handling facility in Prince Rupert, which should allow the Port to reclaim number two status in the province.

The Port of Prince Rupert has suffered a substantial decline over the last decade



Source: Statistics Canada

The volume of cargo shipped through the Port of Prince Rupert has plummeted as a result of mill and mine closures

The explosive growth in trade with China has been the main driver for the Port's resurgence. Coal is once again flowing through the Port and the volume of that commodity will likely continue to expand as new mining ventures are established (or re-established) in the north eastern portion of the province in re-

⁴ Korstrom, Glen, "Fraser Port keeps Canada's wheels rolling," *Business in Vancouver*, April 26-May 2, 2005, p. 16.

response to strong demand from China. Prince Rupert is in competition with nearby Kitimat for two projects that could also benefit the Port. The first is a pipeline from the Alberta tar sands that would transport oil to one of the two ports to be exported to markets overseas – likely in Asia. The second is a liquid natural gas (LNG) terminal that would become the conduit for LNG into North America from Pacific Rim sources.

Currently the Port of Prince Rupert ships mainly grain from the Prairies with a smattering of forest products and some coal and coke. Virtually all traffic going through the Port is one-way: exports leaving the country; however, that will change, particularly when the container facility is completed. The surge in imported goods from Asia has resulted in backlogs in the southern ports, not only in BC, but also in American ports such as Seattle and Los Angeles. This has importers looking for alternative routes and Prince Rupert is the likely candidate, particularly once it has the ability to process containerised cargo.

Prince Rupert's main advantage over other ports on the west coast of North America is its proximity to Asian markets. Shipping through Prince Rupert could reduce delivery time by up to an entire day due to the shorter marine distance and a convenient rail link. The Port also boasts the deepest harbour in North America enabling it to deal with the largest ships in the world and it has the added advantage of being ice-free year round.

Port of Kitimat

The Port of Kitimat has more or less all the same advantages as Prince Rupert (deep sea, ice-free year round, closer to Asia than Vancouver, good rail ties) with the exception that it is not right on the ocean, but rather has ocean access through the Douglas Channel. Kitimat is the province's largest private port and ranks fourth among all BC ports in terms of total tonnage of international cargo. Most of the goods exported through the Port are derived from local industry: Aluminum from the Alcan smelter, kraft paper from the Eurocan pulp and paper mill, ammonia and methanol from the Methanex operations. The Port of Kitimat also handles significant volumes of imported goods. One of the key advantages in terms of imported cargo is that the rail transportation network from Kitimat is being used at well under capacity (this is true for Prince Rupert as well), which means that the bottlenecks currently plaguing the southern ports should not be a problem in the north.

The economic boom in Asia is driving port expansion in BC

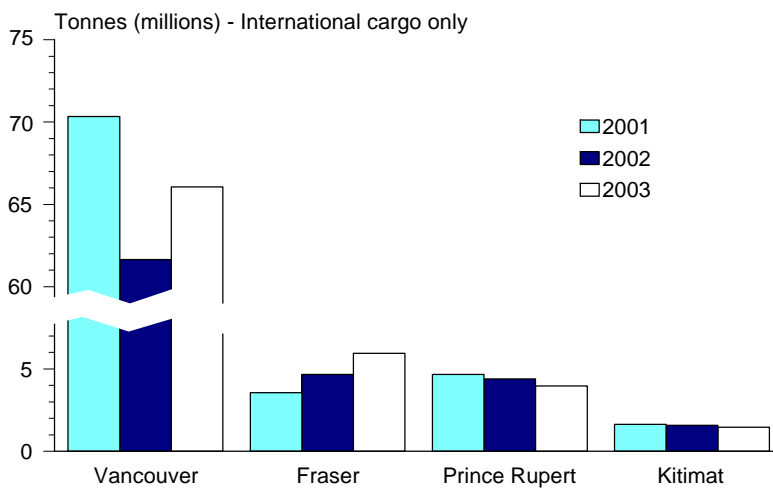
The booming Chinese economy and the corresponding influx of manufactured goods from that country as well as the strong demand for raw materials to feed the Chinese industrial machine have put pressure on BC's ports and transportation system. The top four sea ports in BC for shipping international goods already

Prince Rupert offers an alternative to importers dealing with backlogs at clogged southern ports

The Port of Kitimat is BC's largest private port and has all the same advantages as Prince Rupert

handle 90 percent of international commodity shipments through BC and 25 percent of national shipments. The growing presence of China and the rest of Asia in the global economy will likely boost BC's share of national marine trade even further. While BC's northern ports, such as Prince Rupert and Kitimat, have been slower to benefit from the incoming tide of Asian trade, major projects such as the container port, the LNG facility and the pipeline should prove to be a substantial economic benefit for those ports and for northern BC in general. The Greater Vancouver area ports should also reap significant gains from rising trade with Asia and the Port of Vancouver's status as Canada's busiest port will likely become even more pronounced.

BC's southern ports have been quicker to see a turnaround compared to the main ports in the north



Source: Statistics Canada

The Port of Vancouver is BC's primary port, but Fraser River, Prince Rupert and Kitimat are also significant ports for international cargo

**Recent Feature Articles in British Columbia Origin Exports Release
Listed By Statistical Reference Date of Issue**

05-03	<i>Any BC Port in a Trade Storm (released May 2005)</i>	03-12	<i>Rising Commodity Prices Could Signal Turnaround for BC Exports (released February 2004)</i>
05-02	<i>American Protectionism: Backfiring on All Cylinders (released April 2005)</i>	03-11	<i>The Lows of High Tech Trade (released January 2004)</i>
05-01	<i>Commodity Prices, Exchange Rates and Exports (released March 2005)</i>	03-10	<i>Is Global Free Trade Possible? (released December 2003)</i>
04-12	<i>The Internet Pharmacy Debate (released February 2005)</i>	03-09	<i>Relatively Few Small Businesses in BC are Exporters (released November 2003)</i>
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04-06	<i>Canada's Trade with Greece (released August 2004)</i>	03-03	<i>Canada Talks Trade With Turkey (released May 2003)</i>
04-05	<i>Hollywood North Thrives in 2003 (released July 2004)</i>	03-02	<i>Rising Log Exports Fuel Controversy (released April 2003)</i>
04-04	<i>Port of Prince Rupert: Down, But Not Out (released June 2004)</i>	03-01	<i>Review and Outlook for BC Exports (released March 2003)</i>
04-03	<i>Expanded European Union Could be Both Good and Bad for BC (released May 2004)</i>	02-12	<i>Team Canada Returns to Europe (released February 2003)</i>
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04-01	<i>China Offers Considerable Opportunities for Trade (released March 2004)</i>	02-10	<i>Lumber Battle Takes an Unexpected Turn (released December 2002)</i>

NOTES

Countries Included Within World**Regions:**

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of May 1, 2004: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta,

Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc).

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This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for British Columbia, Canada, the United States and other countries. Tabulations can include information on commodities, countries, U.S. states, years, months, mode of transport, etc.