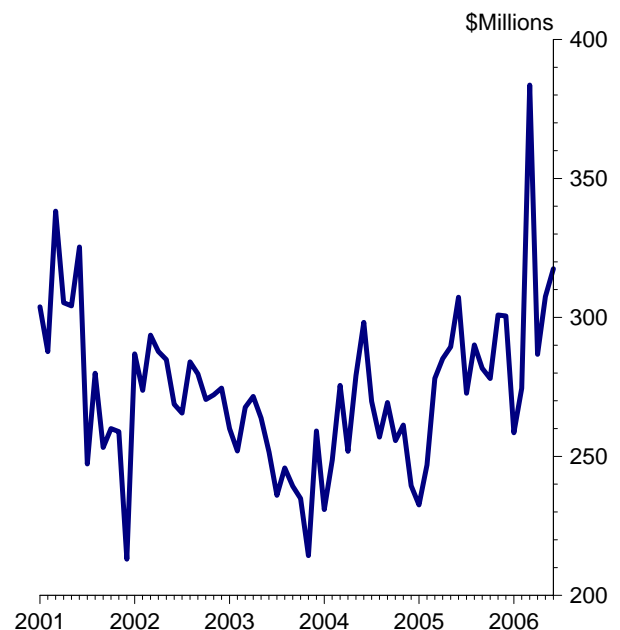


Exports ♦ June 2006

- There was a 4.7% jump in the value of BC origin exports in the first half of 2006 compared to the same period a year earlier.
- One of the main drivers of the overall increase in BC exports is the increase in the value of exports of energy products (+14.4%). Much of the rise in energy exports has been due to price inflation. For example, the value of natural gas shipments climbed 8.7% over the first two quarters, but the quantity of gas exported actually declined 4.2%. Similarly, although volumes of coal shipped from BC to international destinations fell 10.6%, the value of coal exports surged 23.3%. However, electricity exports bucked the trend as the quantity exported was up 12.1%, while the value of exports slumped 20.2%, indicating a price decline.
- Shipments of machinery and equipment rose 11.5% in the first half of 2006 despite a 2.9% slump in exports of motor vehicles and parts.
- Metallic mineral product exports were 13.7% higher in the first six months of 2006 compared to the same period in 2005. Copper ores and concentrates led the way with a 54.1% jump in shipments. Of the major mineral exports, only molybdenum ores and concentrates experienced a decline, with shipments falling 34.4%.
- Exports of solid wood products dropped 2.4%, driven mainly by a 3.8% dip in shipments of softwood lumber. Lower prices were the reason for the slump in softwood lumber exports as quantities shipped actually increased 6.9%.
- Elsewhere in the forest sector, pulp and paper exports were relatively flat in the first half of 2006 (+0.5%) as growth in shipments of pulp (+4.2%) were largely offset by slumps in exports of newsprint (-5.5%), paper and paperboard (-3.0%) and other paper products (-7.5%).
- Exports to the Pacific Rim have climbed 16.2%, with strong growth in shipments to Japan (+20.3%), South Korea (+23.3%) and China (+11.8%). This increase more than made up for a 0.7% drop in exports to the European Union.

Exports of machinery and equipment have picked up significantly in 2006



SEASONALLY ADJUSTED EXPORTS

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.

- Exports to the United States dipped 1.5% in June, but shipments to other international destinations soared 23.0% driving total BC exports up 7.7%.
- The jump in exports to overseas destinations was mainly due to a 44.8% leap in shipments of industrial and consumer goods and a 21.9% rise in forest product exports. The slump in shipments to the US was mainly due to a 6.9% drop in exports of forest products to that country.

A substantial jump in exports to overseas destinations drove up overall exports (adjusted for seasonality) in June



BC Exports, Seasonally Adjusted (\$Millions)

| Month | Agriculture & Fish | Energy | Forest Products | Machinery & Equip, Auto | Industrial, Consumer | Total | Exports to USA |
|----------|--------------------|--------|-----------------|-------------------------|----------------------|-------|----------------|
| Jun 2004 | 200 | 388 | 1,308 | 345 | 487 | 2,727 | 1,801 |
| Jul | 207 | 392 | 1,281 | 353 | 501 | 2,734 | 1,781 |
| Aug | 187 | 380 | 1,280 | 341 | 518 | 2,705 | 1,773 |
| Sep | 199 | 303 | 1,253 | 340 | 491 | 2,586 | 1,715 |
| Oct | 207 | 337 | 1,177 | 340 | 504 | 2,566 | 1,656 |
| Nov | 195 | 423 | 1,120 | 339 | 486 | 2,563 | 1,669 |
| Dec | 183 | 430 | 1,110 | 326 | 510 | 2,559 | 1,652 |
| Jan 2005 | 188 | 447 | 1,114 | 335 | 543 | 2,626 | 1,659 |
| Feb | 181 | 447 | 1,177 | 340 | 539 | 2,684 | 1,760 |
| Mar | 176 | 467 | 1,120 | 335 | 489 | 2,587 | 1,737 |
| Apr | 184 | 526 | 1,118 | 360 | 513 | 2,700 | 1,777 |
| May | 183 | 556 | 1,140 | 358 | 524 | 2,761 | 1,743 |
| Jun | 209 | 622 | 1,118 | 358 | 562 | 2,869 | 1,792 |
| Jul | 174 | 697 | 992 | 358 | 479 | 2,701 | 1,833 |
| Aug | 199 | 812 | 1,062 | 364 | 551 | 2,987 | 1,859 |
| Sep | 193 | 796 | 1,037 | 364 | 566 | 2,956 | 1,846 |
| Oct | 196 | 840 | 1,125 | 374 | 498 | 3,033 | 2,018 |
| Nov | 203 | 705 | 1,114 | 376 | 561 | 2,957 | 2,002 |
| Dec | 196 | 863 | 1,182 | 390 | 574 | 3,204 | 2,050 |
| Jan 2006 | 193 | 705 | 1,178 | 366 | 531 | 2,973 | 1,974 |
| Feb | 190 | 583 | 1,120 | 375 | 542 | 2,810 | 1,773 |
| Mar | 190 | 578 | 1,119 | 435 | 571 | 2,893 | 1,795 |
| Apr | 181 | 543 | 1,080 | 364 | 502 | 2,671 | 1,695 |
| May | 188 | 541 | 1,081 | 343 | 561 | 2,715 | 1,695 |
| Jun | 180 | 558 | 1,112 | 364 | 708 | 2,923 | 1,670 |

Will BC Miss the Boat on Port Expansion?

The surge in merchandise imports from Asia, particularly from China, has prompted plans for port expansion in British Columbia, but there are concerns that this expansion is moving too slowly and may not be ambitious enough to meet future demands. The influx of goods from Asia has resulted in significant backlogs at North American ports and growth in container capacity to handle the increase is not keeping up with the rapid expansion of Asian ports. The inability to accommodate the rise in container traffic is resulting in an unintended trade barrier and is forcing Asian producers to look for alternatives to the main seaports along the Pacific Coast of North America.

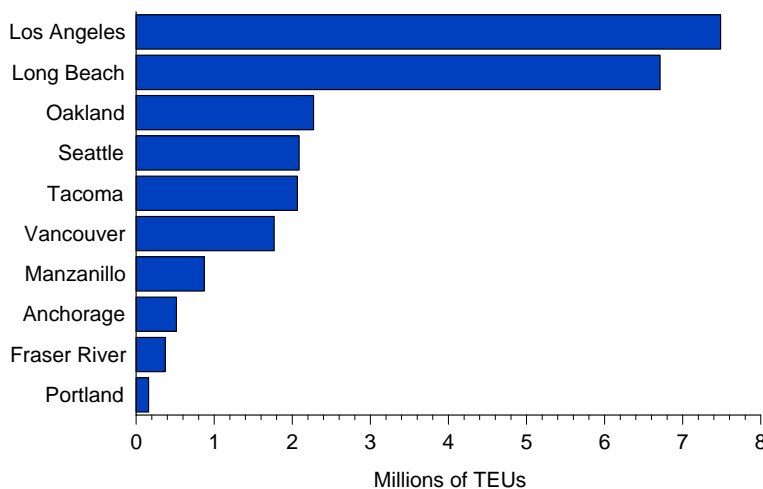
Looking to take advantage of this opportunity, the Port of Prince Rupert has begun the process of building a container-handling facility with a capacity of 500,000 TEUs that would be online by 2007, with plans for expansion to 2 million TEUs by 2010. By comparison, the current container capacity of the Port of Vancouver, Canada's largest seaport, is between 1.8 and 1.9 million TEUs.

However, it is not likely that the Port of Prince Rupert will surpass Vancouver in terms of container capacity, as the Port of Vancouver is also in the process of expanding its facilities with the intention of tripling its capacity over the next 20 years to almost 5 million TEUs. The Port of Vancouver has already started its expansion efforts and construction of one phase of the project is complete; however, federally mandated environmental impact studies have caused delays in the expansion of the Deltaport terminal, which could prove to be costly if rival ports in the United States are able to capture the market before the Port of Vancouver's terminal is in place.

BC ports are planning for expansion, but delays could be costly

A TEU is a twenty-foot equivalent unit, which is the standard measure of container traffic based on the length of a container (e.g., a 40-foot container would be 2 TEUs)

Vancouver ranked sixth in terms of container traffic on the Pacific Coast of North America in 2005

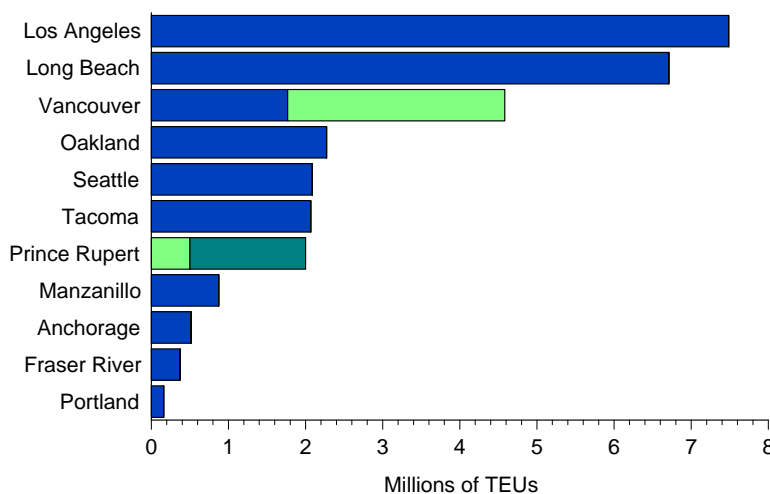


Source: American Association of Port Authorities

In 2005, the Port of Vancouver had the sixth largest volume of container traffic on the Pacific Coast of North America

Vancouver is currently ranked sixth in terms of container traffic on the Pacific Coast of North America. Los Angeles and Long Beach handle by far the largest volumes of container traffic on the Pacific Coast. Each of these ports saw about four times as much container traffic as Vancouver in 2005. Oakland, Seattle and Tacoma also ranked slightly above the Port of Vancouver for container shipments. However, if the planned port expansions for the Port of Vancouver and the Port of Prince Rupert were already in place, Vancouver would be the third largest container port on the North American Pacific Coast and Prince Rupert would rank seventh, just behind Tacoma.

If the planned port expansions were in place now, Vancouver would rank third and Prince Rupert would have the seventh largest container port on the North American Pacific Coast



Source: American Association of Port Authorities

It is unlikely that this ranking will actually come to pass as it assumes that other ports will not also expand their facilities. In fact, Seattle already has plans to build more container capacity and even Los Angeles, already the largest container port on the west coast, is looking to expand its facilities. There is also the possibility of new ports being constructed and there has already been discussion about building a new container facility in Lazaro Cardenas, Mexico.

With so many new or expanded facilities in the works, it is even more imperative that both Prince Rupert and Vancouver proceed expeditiously with their plans so that they do not lose potential market share to other competing ports. There have even been suggestions that the current expansion plans do not go far enough (one business consultant was quoted in a *Globe and Mail* article as saying the Prince Rupert expansion plan was “wimpy”).¹

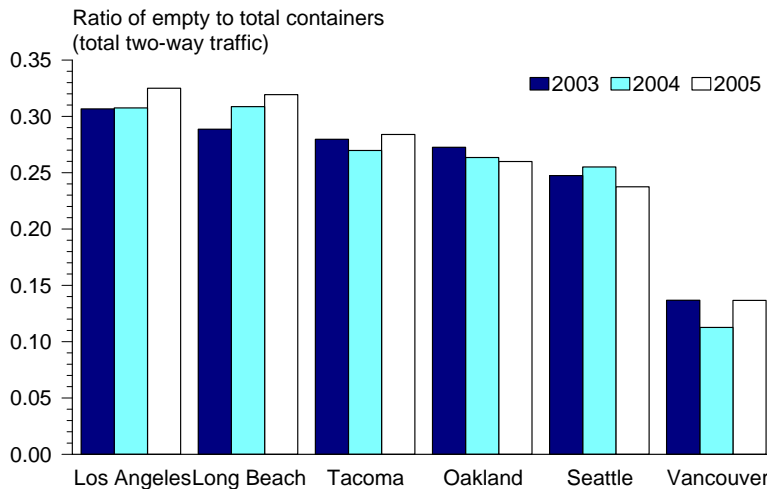
¹ George Stalk, senior vice president of Boston Consulting Group, quoted in: Pitts, Gordon, “Will West Coast ports miss the boat?” *The Globe and Mail*, March 6, 2006, p. B3.

If Vancouver and Prince Rupert expansion plans were already in place, Vancouver would have ranked third and Prince Rupert seventh in 2005 in terms of container traffic volumes on the Pacific Coast

However, other West Coast ports are also planning to expand

One advantage that the Port of Vancouver has over many of its competitors is that it has a significant volume of outbound goods as well as inbound cargo. In many West Coast ports, containers are shipped back to Asia empty, whereas containers leaving the Port of Vancouver are usually at least partially full, which offsets the cost of the return voyage.

Vancouver has far fewer empty containers compared to most West Coast ports



Source: Individual Port Authorities

Vancouver has relatively fewer empty containers compared to most West Coast ports

The ports of Los Angeles and Long Beach are both heavily weighted toward dealing with imports with about two of every three containers heading back empty. Tacoma and Seattle are slightly better with only about half the containers sent back empty. Oakland tends to have almost the same volume of exports as imports (at least in recent years), but it has empty containers going both ways, whereas Vancouver is far more efficient, with relatively few empty containers compared to these other ports.

This is likely one advantage that Prince Rupert will not share. It is probable that most of the container traffic in Prince Rupert will be one-way, with containers coming in full and being shipped back empty. Due to its remote location and small population base, there will be little local demand for goods shipped in through Prince Rupert and most of the imported merchandise will be immediately shipped out by rail to another destination. However, there are some advantages to a port in Prince Rupert as it is significantly closer to Asian ports compared to major North American ports. Prince Rupert is approximately two days sailing time closer than Los Angeles or Long Beach and one day closer than Vancouver. Although the rail trip to destinations such as Chicago is longer in distance, the lack of local stops could make the travel time about the same as that from Los Angeles to Chicago, which could mean that goods shipped through Prince Rupert could arrive at their destination two full days earlier.

Containers will likely come into Prince Rupert full and be shipped back empty

Both the Port of Vancouver and the Port of Prince Rupert face challenges regarding their expansion plans, but the pay-off could

be well worth it. Although the Port of Vancouver ranked 41st in the world in 2004 in terms of cargo volumes handled according to data from the American Association of Port Authorities, it did not even crack the top 50 in terms of container traffic. With fewer than 1.7 million TEUs, Vancouver was a bit player compared to the top-ranked ports such as Hong Kong (22 million TEUs) and Singapore (21 million TEUs). The top six container ports in the world in 2004 were all in Asia and considering the economic growth occurring in that region since then, it is likely the figures are even more inflated now. BC's strategic location relative to Asia makes it a perfect gateway for Asian trade with North America; however, the competition for port business is steep given the potential revenues to be had. The ports of Vancouver and Prince Rupert, as well as other BC ports, will be taking a risk if they wait too long or plan too small.

**Recent Feature Articles in British Columbia Origin Exports Release
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| 05-07 | <i>Laying on the Lumber</i> (released September 2005) | 04-04 | <i>Port of Prince Rupert: Down, But Not Out</i> (released June 2004) |
| 05-06 | <i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour</i> (released August 2005) | 04-03 | <i>Expanded European Union Could be Both Good and Bad for BC</i> (released May 2004) |
| 05-05 | <i>Comparative Trade Numbers Don't Add Up</i> (released July 2005) | 04-02 | <i>BC's Animal Agriculture Exports Facing Trade Restrictions</i> (released April 2004) |
| 05-04 | <i>South Korea Seeks Trade Deal with Canada</i> (released June 2005) | 04-01 | <i>China Offers Considerable Opportunities for Trade</i> (released March 2004) |

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).

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

Dan Schrier

BC STATS

P.O. Box 9410 Stn Prov Govt

Victoria, B.C. V8W 9V1

(250) 387-0376

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 BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.