

Re-energizing Saint John

A half-dozen key projects would refuel the economy of this historic city and inject billions into the region, Gordon Pitts reports

GORDON PITTS

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SAINT JOHN -- Business people here talk up their city as the new East Coast energy hub. And they invariably credit the foresight of Kenneth Irving, CEO of Irving Oil Ltd. and a fourth-generation member of Saint John's most powerful business family.

Mr. Irving, 47, backed by his 77-year-old father Arthur, is the driving force behind a \$1-billion liquefied natural gas terminal on the Bay of Fundy that should begin operation by the end of the year.

It's the first in a wave of new and prospective resource projects that, over the next decade, could inject at least \$15-billion into the southern New Brunswick economy, which has endured decades of dashed dreams.

Yet Kenneth Irving will have nothing to do with any hero worship. "I don't think anyone went up to the mountain and came back with the vision," he says. "It's a shared vision - shared within the community, at the provincial level and in Ottawa and Washington."

In a sense, both versions are correct. As with most major business decisions in Saint John over the past 70 years, the Irving family is in the thick of things, but the energy hub is much more than an Irving Oil production.

Recognizing the potential of their energy plans to transform the city, the Irvings, early in the planning process, sought community engagement to a degree rarely seen in a region confronting dramatic economic growth.

Irving Oil attracted global partners such as the Spanish firm Repsol YPF SA, now the majority owner of the LNG project, and BP PLC, which is collaborating on the engineering study for a proposed new Irving Oil refinery that would be the same size as its existing refinery - already the largest in Canada.

Meanwhile, the province is contemplating an investment in nuclear power that could rival Irving Oil in ambition, including a second Candu reactor at its Point Lepreau plant, a 45-minute drive west of Saint John.

In Mr. Irving's view, this is just scraping the surface. He envisages a sequence of major investments, one leading to another, that would draw a host of energy-related industries to the region - petrochemicals, fertilizers, new power plants, and wind power.

"There is an interesting dynamic here, where we have industry collaborating, a highly engaged community, and an overarching goal of achieving self-sufficiency for the province," he says.

Saint John is thus a test case in whether a city can manage an energy boom, and in a way that creates the anti-Fort McMurray - with sound infrastructure, comprehensive planning for skilled trades, and housing for new workers and displaced low-income residents.

"In fairness to Fort McMurray, hindsight is 20-20 but we saw what went on out there, and we said that's not what we want to get into," says New Brunswick Energy Minister Jack Keir, whose department offices are in the historic port city.

It helps too that Irving Oil, the federal government and the province underwrote a game plan in a consulting study called Benefits Blueprint. Without the projects, the study says, the Saint John metro area would continue to stagnate, as young people seek work elsewhere.

Yet if all the major projects go ahead, the regional population could rise to as high as 140,000 in 2021, up from 122,000 in 2006. If the status quo were maintained, the numbers could slip to 108,000, says the report by Toronto consultants Hardy Stevenson & Associates.

If all plans proceed, they would spin off 33,000 additional jobs in 2012 - the peak of construction - throughout the province, the study says.

This human capital influx has already begun, with the first onslaught of workers building the LNG plant and undertaking a \$1.4-billion refurbishment of the 25-year-old Point Lepreau nuclear reactor.

The workers include Saint John-born Mike Briggs who, with his Nova Scotian wife Tineka, had settled into Ottawa when the call came 2½ years ago that there were nuclear-power jobs back home.

The two young engineers, both University of New Brunswick grads, came back for family and a less frantic lifestyle. But as with any short-term project, there remains the question of what comes after the reactor's refurbishment is finished.

Their hope is there will be a new reactor to build, and Saint John will become Atomic Energy of Canada Ltd.'s base for upgrading reactors in other jurisdictions. Whatever the future, they believe the Saint John hub can accommodate them. "The skills we've gained here are easily adaptable to the other industries around Saint John," Mr. Briggs says.

That kind of career-path thinking is ingrained in Benefits Blueprint, which sets out 16 recommendations on workers, from retaining, repatriating and attracting young people to providing housing.

A big concern is that major economic benefits from the energy projects could bypass the province. If nothing is done, more than half the gross output could leak out of New Brunswick, the blueprint warns. So the province has already started to catalogue companies that could feed into the projects' supply chain, not only in Saint John but also in the Miramichi region and the Upper Saint John River Valley.

Whatever the shape of growth, it will transform this old Loyalist city, whose core was wiped out by fire in 1877. Since then, Saint John has been up and down. The image is of a gritty industrial town with pockets of deep poverty, but also natural beauty and exquisite Victorian blocks, some now being gentrified.

The local Human Development Council has reported that more than 27 per cent of city residents qualify as poor, and the city has Canada's second-highest incidence of single parents living in poverty. The contrasts are striking: boarded-up dwellings in the city core; yachts on Kennebecasis Bay; and an unemployment rate of 5 per cent, reflecting labour shortages.

The city's old-industry reputation creates challenges for building a brand as a talent magnet. Steve Carson, CEO of Enterprise Saint John, says that in the past, the mentality was to lure investment and just ride the wave till it ended. Now the goal is to built a brand around people and ideas that can survive short-term shocks.

There is no other choice, Mr. Carson says, citing aging demographics across Atlantic Canada. Saint John has to attract and retain more young people because "otherwise, we are managing a shutdown."

What could go wrong, of course, is there will be no second Irving refinery and no second Candu reactor. The city might grow, but the hub would be lacking the post-construction dynamism.

"Frankly, if the second refinery doesn't come, or the second reactor doesn't come, all this is for naught," says Mr. Keir. "Those are the two key projects that will cluster other industries around them."

Mr. Irving is not willing to predict the refinery's chances when the partners make their decision in the first half of 2009. "You really do have a challenging global situation," he says. "Every day, we ask ourselves this and come up with different odds."

SAINT JOHN'S BIG SIX

Six resource megaprojects - totalling a potential \$15-billion in new construction - are key factors in Saint John's growth now and in the future. Four projects are already under way, while the two biggest are still under review, but are already generating income and growth.

On the boards already

1. Canoport liquid natural gas (LNG) terminal

A joint venture of Repsol SA (75 per cent) and Irving Oil (25 per cent).

Construction value: \$1-billion.

Operational by end of 2008.

2. Brunswick Pipeline

Emera Inc. is building a link from the LNG terminal to the Maritimes and Northeast Pipeline at St. Stephen, N.B.

Construction value: \$350-million.

Scheduled by year-end.

3. Point Lepreau refurbishment

Upgrade to extend life of Candu reactor, at Point Lepreau power plant 45 minutes west of Saint John.

Estimated construction costs: \$1.4-billion.

Slated for completion in 2009.

4. Potash Corp. mine expansion

\$1.7-billion planned addition to Sussex, N.B. operation.

Sod turned this summer; 2011 completion target.

Still under review

5. Irving Oil's Eider Rock refinery in Saint John, which would produce 300,000 barrels a day.

Estimated construction costs: \$7-billion.

Undergoing engineering and design study; final corporate decision to be made in first half of 2009.

6. Second reactor at Point Lepreau

Potential cost: \$3.7-billion.

Atomic Energy of Canada Ltd. did positive feasibility study; province is assessing the plan.