KEYNOTE ADDRESS

TO THE

SEVENTH ANNUAL B.C. MINE RECLAMATION SYMPOSIUM

NORTH EAST COAL DEVELOPMENT

by

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I would like to express my sincere thanks to the Ministry of Energy, Mines and Petroleum Resources and the Mining Association of British Columbia for the honour of being invited to participate in the 7th Annual British Columbia Mine Reclamation Symposium. Moreover, it is a pleasure and privilege to have this opportunity to speak on the subject of North East Coal. I have been involved since the mid-seventies when I first accompanied the Honourable Don Phillips, Minister of Industry and Small Business Development, to Japan and Korea to promote coal projects in British Columbia, including the North East Coal Development.

This massive coal project is the largest major undertaking in our province's history and is well on its way to reality. If the present construction progress continues on schedule, the mines will be delivering coal to the new port at Ridley Island in less than nine months. However, even with the present development we will have only scraped the surface, so to speak. The two mines presently under construction will produce in excess of 8 million tonnes per year representing less than 25 percent of the potential annual coal production under assessment. In addition to Quintette and Teck Bullmoose, Monkman, Sukunka and Willow Creek have received Stage II approval to proceed; Carbon Creek has submitted a Stage II for prescreening; and Teck's Burnt River has Stage II studies in progress.

Alexander McKenzie first noticed the coal when he explored the area in 1793. It's now 1983 and it's just being opened up. North East Coal is located in a sparsely settled region, the centre of which is about 78 miles southeast of Dawson Creek, which is the nearest highway and railway lines. It is about 400 miles from Roberts Bank and the coal terminals in the port of Vancouver. In the intervening one hundred and ninety years, little has occurred save some exploration and confirmation that there were vast quantities of coal available.

In 1974, the province commissioned a study of the economic development prospects in Northeastern B.C. That study indicated a significant opportunity for regional economic development and diversification using the Peace River Coal Fields as a cornerstone.
During 1975 and 1976, Quintette Coal secured a letter of intent from the Japanese steel mills for the purchase of 5 million tonnes of coal annually. British Petroleum also intended to develop their property to produce 3 million tonnes annually.

Based on these firm prospects, and in an effort to ensure orderly development of the area, the province initiated a detailed evaluation of the viability of the Northeast Fields. In response, a cabinet committee on coal development was established to investigate and develop a strategy. In 1976/77, the studies provided the Government of British Columbia with a number of recommendations on infrastructure:

- The preferred rail route for access to the coal fields would be a new branchline from the central area of the coal fields to Anzac on the B.C. Rail mainline,

- From Anzac, coal would move to Prince George on the B.C. Rail Line and the CN Rail Line would move the coal from Prince George to a new port at Ridley Island,

- A new highway from Chetwynd to the Tumbler Ridge area with continued upgrading and realignment of the Heritage Highway from Dawson Creek, would be most cost effective,

- A townsite located at Tumbler Ridge would best serve development of the central area of the coal fields, and

- Power supply for a large scale development at Quintette, Bullmoose and other properties would require a new power line from the W.A.C. Bennett Dam to the area of Tumbler Ridge.

Concurrent with these studies on the most viable infrastructure to be built, Quintette and Teck maintained significant activities in the exploration and marketing of their coal projects.

Finally, on 23 January 1981, it was announced that Agreement-in-Principle had been reached between the Japanese steel
industry and Quintette Coal Limited and Teck Corporation for the sale of 6.7 million tonnes per year of coking coal commencing in the late fall of 1983. Quintette secured an order for 5 million tonnes per annum and Teck received an order for 1.7 million tonnes per annum, both for a minimum of 15 years. In addition to metallurgical coal sales, Quintette have since signed an agreement for a further 1.3 million tonnes of thermal coal for delivery to Japan commencing at the same time as the metallurgical coal.

In late January 1981, in response to the announcements of coal sales contracts, and in view of:

1. The tight development schedule,
2. The involvement of a large number of different organizations, both public and private, and
3. A number of key objectives requiring implementation,

The Provincial Government established the North East Coal Development Office for overseeing the project to ensure that it proceeds on time, and in a manner best suited to the interest of all British Colombians. In mid-1981, the project effectively saw the end of the planning phase and the beginning of the implementation phase - the development and construction of the infrastructure.

The Honourable Ron Basford was appointed as Director to head up the North East Coal Development Office. The organization set up to perform these functions is comprised of Mr. Basford, eleven professionals and five support staff. The office had three major mandates:

1. To negotiate final agreements between the Provincial Government and the mining companies, and the Provincial Government and its agencies.
2. To provide liaison between the builders and the Provincial Ministries.
3. To coordinate and monitor the activities of the two mining companies, the two railways, hydro, highways, the town and the port, and to provide monthly progress and cost reports to the Provincial Government.
The primary vehicle employed in meeting this role is through regular monthly meetings with the participants. There is a monthly coordinating committee chaired by Mr. Basford which is comprised of the senior executives of the participating builders, who are each responsible for their organization's activities related to the North East Coal Development. These senior executives discuss progress to date, and exchange ideas and comments on issues which could affect their common management objectives to bring the pieces of the puzzle together on time on December 1, 1983 within their respective budgets.

The project managers of the eight infrastructure builders are the ones directly in charge of the engineering and construction, and also meet once a month. They report on, and discuss in detail, the status of the schedule, with emphasis on the achievement of or exceptions to the designated milestones for the month. The meetings also provide a forum to discuss the coordination of schedules where an overlap exists. Construction manpower, environmental and permitting issues are also discussed. Mr. Jake McDonald regularly attends these meetings.

Other meetings which take place are project communications, industrial relations and regional impact. The main purpose of all the meetings is to ensure that the activities of all the participants engaged in this mega-project are properly and fully coordinated. In addition, the NECD Office is in constant communication with their counterparts in other organizations, makes regular site visits to be fully informed of actual field progress and provides professional expertise where necessary.

As well as launching priority on all phases of the infrastructure, the priority in 1981 and early 1982 was the negotiation and execution of all legal agreements to provide the NECD with the necessary muscle to effectively perform its coordination and control function. Although there are no binding agreements between the NECD Office, CN Rail or Ridley Terminals Inc., through the various meetings and personal connections, administrative guidance can be effected when required. Once the legal understandings were agreed upon, this mega-project was launched and I must say, not without a few minor burps and cries. Construction started very slowly in 1981. Construction basically got into full swing on all fronts in 1982 and by the end of 1982, considerable progress had been made.
Before discussing the details of the infrastructure that constitutes this major undertaking and progress to date, a few unique features of the project are well worth noting. The North East Coal Development is not only a major northern project, but, as mentioned earlier, is the largest industrial undertaking in our province's history and the largest resource project in our country today. In terms of capital expenditure, it is a mega project in the order of $2.5 billion. The monies are being expended by the private and public sectors - about 50 percent each. The annual foreign exchange flow through the sale of coal will be at least $600 Million in 1980 dollars.

The project involves private and public sectors and three levels of Government:

1. The Provincial Government has responsibility for providing much of the infrastructure, either directly as in the case of roads, or through its agencies - BC Rail is constructing the Tumbler Ridge branch line and BC Hydro has now completed a 230 kV Transmission line and substations to service the area. On a smaller scale, the Province is responsible for the Schools and Diagnostic Centre in the new town of Tumbler Ridge.

2. The Federal Government, through its agencies - CN Rail and National Harbours Board (now called Canada Ports Corp) - has responsibility for upgrading the CN North Line from Prince George to Prince Rupert and for building the port facilities in partnership with a private operator at Ridley Island, near Prince Rupert. The area is also being serviced by the RCMP.


To support the development, the Province of British Columbia has agreed to construct the new 130 km Tumbler Ridge branch rail line, which will be totally electrified. This will be the first 50 kV electrical system in Canada although countries such as Japan and Sweden have long operated similar systems.

The new town of Tumbler Ridge will be capable of housing a population of 6,000 by 1986, and a new 90 km highway from Chetwynd to Tumbler Ridge will access the coal fields, and a new 127 km, 230 kV Power Line and related facilities. The CNR and BCR have agreed to upgrade 700 and
125 km of their respective mainlines and to purchase 30 locomotives and 1,000 coal cars to haul the coal from the mines to port. The Government of Canada and Ridley Terminals Inc., have agreed to prepare a site and construct a 12 million tonne per year coal terminal on Ridley Island.

In terms of jobs, it will result in over 2,000 permanent jobs at the mines and in the town of Tumbler Ridge, and many, many more in the rest of Canada. Already there are approximately 500 permanent operating people employed by the mines with an additional 100 coming on stream by the end of May. With the presently depressed mining scene throughout the country, very many skilled and experienced personnel are available. At the peak during this summer, there will be more than 5,000 people directly employed on the various construction sites, with at least an equivalent number directly or indirectly employed in engineering, manufacturing and administration of this massive undertaking.

CONCLUSION

As explained earlier, the coal companies are committed to deliver their first coal to the Ridley Island Terminal by December 1, 1983. To date, we have encountered two wet summers, one winter with excessively heavy snowfall, a Provincial Government union labour dispute, a one month construction union strike, and union labour withdrawal at Tumbler Ridge for three months, with demands for common site status, and many other minor delays and setbacks. However, all infrastructure builders are still confident of delivering coal out of the North in October of this year. In fact, with an energization date of October 15, 1982, BC Hydro met its milestone, and, even more surprising, at almost 25% below budget. On the subject of costs, it can be reported that most infrastructure builders who have in total now committed over 1.8 billion dollars and expended close to 1.5 billion dollars are on or within budget - one of the rare benefits of this poor economy.

You can appreciate that it is difficult enough to bring in a single project on schedule and on budget, but for eight participants with distinct and diversified undertakings to complete within budget and schedule, must be looked upon as a mega success. The North East Coal Project can truly be considered as one of the major participants in the future of resource development in Western Canada.
On behalf of North East Coal Development, I would like to convey our appreciation to the Ministry of Energy, Mines and Petroleum Resources for their full cooperation in this project. The importance the Province applies to reclamation is recognized with the appointment of Jake McDonald, BC’s Senior Reclamation Inspector, as Chairman of the Coal Guidelines Steering Committee. The efforts of Jake, Ray Crook and other government officials and officials of the mining companies have contributed immensely to the success of the North East Coal Development to date.