

CHAMBER CHATTER

Lower Churchill – The Road to Regional Readiness (Part I)

by Brian Fowlow

Simply stated, it has been an interesting and busy month on the business and political front for Newfoundland and Labrador. A day that many thought would never come (again) has arrived – the announcement of the Lower Churchill Hydroelectric Project. While parameters of the project changed significantly in the lead-up to the announcement (i.e., the smaller Muskrat Falls component first rather than the Gull Island component first), the \$6.2B deal between Newfoundland and Labrador and Nova Scotia, and their respective power companies Nalcor Energy and Emera Inc., was met with praise, opposition and great debate country-wide.

This monumental announcement was followed shortly thereafter by another. The departure from office of Premier Danny Williams was indeed a shock for the entire province, especially considering the timing, a mere one week after unveiling the Lower Churchill deal. Many questions are still being asked in the coffee shops and around the water coolers as to the effect the exit of our ‘no-holds-barred’ Premier will have on the ability of the province to deliver the Muskrat Falls project.

While it is evident that many details still have to be finalized (in particular, ratification of the New Dawn agreement with the Innu Nation, environmental green light from the Joint Review Panel, and securing sources of financing), Nalcor Energy is treating the project as a *fait accompli* with a timeline of breaking ground in the fall of 2011. To paraphrase Ed Martin, president and CEO of Nalcor Energy, during an address given on November 18 in Happy Valley-Goose Bay, “The project isn’t happening folks, it’s happened.”

Labrador Industrial Development

An important consideration with respect to regional project readiness is to ensure that Labradorians adequately benefit from power produced at Muskrat Falls before ground is broken on the project. During the project announcement, Premier Williams pledged ample availability of power for industrial development in Labrador. While this assurance is initially looked upon as great news from the perspective of the Labrador North Chamber of Commerce (LNCC) and its members, many questions remain to be addressed, including:

What is the process for the proponent of a new or existing development to access Muskrat Falls industrial power?

Exactly how much power will be made available for such developments?

Will the rate structure benefit developers in close proximity to the Muskrat site, or will a blanket industrial rate be imposed for all industrial users?

Will the transmission infrastructure be put in place to attract industrial development, or will the infrastructure be driven solely by demand?

In the coming weeks and months, the onus will be on the Province, Nalcor Energy, and other project proponents to answer these and other questions relating to industrial development power. It is also important for the LNCC and other stakeholder groups to ensure these questions are being adequately addressed to the benefit of Labradorians and Labrador-based businesses.

Labrador Business Readiness

Despite the need for additional project details, reaction to the project announcement by the regional business community has been positive. With Nalcor Energy predicting the Labrador business and labour benefits from the construction phase in the vicinity of \$450M, prospects for Upper Lake Melville companies are considerable.

So as a small or medium-sized enterprise (SME) located in the Upper Lake Melville region, you must ask the question: *“Is my business prepared to benefit from the Muskrat Falls Hydroelectric Project?”* And if not: *“What steps need to be taken to make my business ready?”*

From a procurement perspective, project readiness can touch on many aspects of any SME’s operation. For instance, Nalcor Energy cites a number of factors for suppliers to consider in meeting the commercial and technical requirements of the project, including “price, quality, technical sustainability, service and delivery.” To be competitive when bidding on Lower Churchill contracts, a company will have to ensure that all of these attributes are addressed to the satisfaction of the proponents and contractors beforehand with respect to their product and/or service line. The Nalcor Energy Lower Churchill Project team is available to help SMEs through the procurement process; contact and general project information can be found at www.nalcorenergy.com/lower-churchill-project.asp.

Partnership is also an important consideration. As part of the New Dawn agreement, preference will be given to Innu businesses for supply and service contracts directly related to the project. Such conditions may also become reality for Nunatsiavut and NunatuKavut beneficiary companies as well depending on the outcome of ongoing discussions. In any case, cooperation between local businesses with aboriginal ownership can be of great benefit to all parties to the partnership from financial and human resources perspectives, and will be important for securing contracts.

Perhaps a regional business has a strong product or service offering, but is missing an important component or competency required to be seriously considered for work on the project. In such a case, partnership with a complementary firm may be a practical solution, a strategy that has been developing in Labrador and has been employed worldwide with respect to mega-projects in various sectors.

Part II of this article, to be published in the December 20, 2010 edition of The Labradorian, will examine labour market readiness, as well as aspects of community preparedness for the Lower Churchill Project.