

TOWN+COUNTRY WHY B.C.'S
URBAN AND RURAL ECONOMIES NEED
EACH OTHER MORE THAN EVER *p.31*

MEET SURREY'S NEW CITY BUILDER *p.17*
WILLIE MITCHELL
REVEALS HIS TRUE NATURE *p.62*

PHILANTHROPY 101
OUR GUIDE TO
STARTING YOUR OWN
CHARITY *p.38*

BC BUSINESS

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p.26

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Two Economies, One Province

URBAN AND
RURAL B.C. AREN'T
SEPARATE
WORLDS. AS WE
LEARNED BY TAP-
PING THE **BC
CHAMBER OF
COMMERCE NET-**
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Val Litwin enjoys telling a story about a meal he had this past summer in Tumbler Ridge in northeastern B.C. And no, it's not to complain that his eggs were a little more over-easy than he would have liked. "I had breakfast with the president of a metallurgical coal mine and the facility manager of a wind farm," recalls Litwin, president and CEO of *BCBusiness* partner the BC Chamber of Commerce. "And the wind farm guy said, 'If only people understood I need a couple tonnes of his metallurgical coal to make each wind turbine I have.'"

Since Litwin took the helm at the BC Chamber in late 2016, he's tried to foster harmony between the province's technology-driven urban industries and its more traditional rural jobs. It hasn't always been a simple task, given the perception that big cities such as Vancouver and Victoria function separately from the resource-based economy in the Interior and the north.

"Where there's a gap, and where the unhealthy narrative has unfolded, is that perhaps the average person on the street doesn't understand how connected they are," Litwin says. "If you're at a five-star restaurant in Vancouver and your perfectly done medium-rare steak reaches your table, you may not know that the beef came from the Thompson-Okanagan region, or that the natural gas that flame-broiled it came from the northeast."

Those who work in industries that depend on this rural-urban interplay know how much the two economies need each other. That's a fairly new development. Just ask Dan Baxter, the BC Chamber's director of policy development, government and stakeholder relations, who joined the advocacy group in 2013. "When I first started, the relationship felt more combative; it was us versus them," Baxter says. "Some parts of the province don't necessarily feel they get their fair share, and that's obviously a fair conversation, but I think more and more people are coming at it from a point of view now of 'How do we grow together?'"

Bruce Anderson, chair of Ottawa-based Abacus Data Inc., oversaw a poll of some 870 BC Chamber members last November. "In the past, you could see some cleavages between people who live in the smaller and mid-sized communities in the northern and eastern parts of the province who would think that all of the benefits were skewing toward the Lower Mainland and parts of the Island," the veteran pollster says of the annual Collective Perspective survey. "[Now] the numbers are pretty consistent in every region of the province."

For example, the proportion of respondents in northern B.C. who called their business outlook for the next three to five years good or very good (67 per cent) closely tracked that in the Lower Mainland (78 per cent).

by NATHAN CADDELL + NICK ROCKEL



REAPING THE BENEFITS Craft distiller Sherry Jiang (left) and Shaun Grant, general manager of South Peace Grain Cleaning Co-op in Dawson Creek



To Anderson's surprise, the poll numbers were much more uniform across regions than the results of last year's provincial election, which returned the NDP to power after 16 years of BC Liberal rule: "If I were wondering if the election of a less business-oriented government would put a real damper on the expectations of businesses about their futures, you don't see it in these results at all."

In the pages ahead, you'll hear from 11 businesses and other organizations—many of them members of the BC Chamber network—that have embraced the urban-rural connection, from a Kamloops software company to a Dawson Creek grain co-op. In a global economy, as Ron Sangara, president of Delta-based Leslie Forest Products Ltd., says on page 36, all British Columbians are neighbours. —N.C.



Drinking Buddies

SURREY'S **DRAGON MIST DISTILLERY** RELIES ON **SOUTH PEACE GRAIN CLEANING CO-OP** FOR WHEAT TO MAKE ITS SPIRITS

Before Sherry Jiang immigrated to Vancouver in 2004, she was a physician in the northeastern Chinese city of Dalian. Deciding not to pursue medicine in Canada because it would take too long to get a licence, she also noticed that members of the Chinese community had a hard time finding baiju, a wheat-based liquor that is the most popular alcoholic beverage in her native land. So in 2012, Jiang—drawing on knowledge from her

grandparents, who ran a distilling business—launched Dragon Mist Distillery. The Surrey-based company, which went to market in 2014, now makes baiju, vodka, gin and a variety of liqueurs, including blueberry and cranberry. Because it's a craft distillery, Dragon Mist must source its ingredients in B.C. For wheat, Jiang depends on Dawson Creek's South Peace Grain Cleaning Co-op. "We work very well together," says the sole

permanent employee of Surrey Board of Trade member Dragon Mist, which produced about 7,400 litres of spirits last year. "Whatever we need, they will give us."

Over the years, Jiang has gotten to know Shaun Grant, South Peace Grain Cleaning's general manager. The co-op first opened its doors in 1963, but when ex-rancher Grant took charge in 2011, he set out to diversify the business. Besides supplying feed grain to livestock producers in the Lower Mainland, the co-op began working with Dragon Mist and other B.C. craft distillers. Today its seven staff ship wheat and rye to more than a dozen, from Squamish to Penticton.

"It's a smaller portion of our overall business, but it's one that we're really excited about," says Grant, who reckons that distillers account for about 5 per cent of gross revenue. "We think we're going to be one of the bigger suppliers of distilling products over time." The co-op also provides malt barley to the province's fast-growing craft beer industry, Grant notes.

As the agriculture sector consolidates, his outfit, which handles between 16,000 and 18,000 tonnes of grain a year, is "about as small as you can be and still be in this business," he says. That can be a major advantage for the Dawson Creek Chamber of Commerce

member, Grant explains: "The reason that we've been so successful with the distillers is because we're small, and we'll take the time to address their needs."

Grant, who hopes that better rail access will make the co-op a larger player in the Lower Mainland feed grain business, thinks urban dwellers have become disconnected from their food supply. He doesn't fault them for this lack of knowledge, and he predicts that the gap will close as farmers get better at telling their stories.

"The last few years there's been quite an effort to reach out on behalf of the rural guys to try and explain what we do," Grant says. "Our distilling customers really

had no concept of how we got this product to them and what types of planning went into this, but once you go through that with them, they understand our side of the equation."

For Dragon Mist's Jiang, high-quality South Peace grain will be a selling point when she eventually takes her spirits to China, where the growing middle class seeks out Canadian food and drink. But she's in no rush to export, citing the need to perfect her packaging for a Chinese audience.

"First, we have to make the distillery survive," Jiang says. "Then we go further. I don't want to overspend; then we don't have cash to buy grain." —N.R.



NO-SMOKE SHOW
Rio Tinto employees grapple with new technology

Gimme Smelter

THE **BC INNOVATION COUNCIL** HELPS METALS GIANT **RIO TINTO** ATTRACT WORKERS TO ITS REVAMPED KITIMAT ALUMINUM FACILITY

A partnership based on getting people to a specific location only started because Carl Anderson got lost. Last February the president and CEO of the BC Innovation Council (BCIC), was on a BC Growth Opportunities Tour in the northwest of the province, trying to show some guests the Skeena River. Instead, he ended up visiting Rio Tinto Alcan Inc.'s modernized aluminum smelter in Kitimat.

"You come out of the [Terrace] airport, and you have to make a left, then a right," Anderson recalls at his downtown Vancouver office. "I was kind of distracted," admits the head of the BCIC, a Crown corporation that aims to encourage the development and implementation of technologies that meet industry's needs. "Thirty minutes later, we're in Kitimat. So we say, 'Let's go find the smelter.'"

Anderson wasn't aware of the Rio Tinto facility's revamp, which was completed in 2015 and reached full capacity the following year. The mining and metals

multinational (called Rio Tinto Alcan in Canada since the corporation acquired Alcan Inc. in 2007) first built an aluminum smelter in Kitimat in 1954.

The modernization has meant a renewed focus on shrinking emissions of harmful chemicals such as fluorocarbons. Aluminum is one of the most energy-intensive metals to make, but the Kitimat smelter has slashed its carbon emissions. "China produces over 50 per cent of the world's metal now," says Gareth Manderson, general manager of Rio Tinto's B.C. operations. "But in China, the greenhouse gas per tonne of aluminum is eight or nine times what we have here." Manderson estimates that Rio Tinto now produces metal with 30 per cent less energy than before.

By combining hydro-electric power with new technology—a system built by Rio Tinto called AP40—the smelter now throws off two tonnes of carbon dioxide for each tonne of metal, he explains: "Compared to the Middle East that's at eight

tonnes of CO₂ per, or China, which is at 17, that's significantly better than our competitors." Kitimat residents remain concerned about sulphur dioxide emissions from the facility, but a Rio Tinto spokesperson says monitoring shows that SO₂ levels are much lower than the B.C. air quality objective.

The smelter's transformation caught Anderson by surprise. "No smoke," he says, still in disbelief. "I never knew it had been revamped. I never knew it was modern at all. So we came back and actually went up and did a tour, and it's just like, 'Holy shit.'" That 2017 tour led to a recruitment-focused alliance between BCIC and Rio Tinto. "We've been up twice talking to people and working down to the actual problem," Anderson says. "[Rio Tinto] go, 'Well, we can't get enough people to come up.' [They] put job postings up on bulletin boards. It's not like, 'We've got the world's best salmon fishing; it's incredible skiing'—you know what I'm saying?"

The smelter employs about 1,000 people in operations, and about 400 additional workers as contractors and support staff. That makes it the top employer in Kitimat, a community of some 8,100 residents. BC Chamber of Commerce member Rio Tinto Alcan is looking for help in its on-the-ground operations (supervision as well as construction-type work) and engineering department.

One of the BCIC/Rio Tinto collaboration's first projects is a 50-second video aimed at attracting talented young people to those jobs.

"They gave us a whole stack of ideas," Manderson



says about appealing to prospective employees. "I think we as a business can probably promote the outdoor lifestyle, the rural lifestyle. For young people that want to get some fantastic experience in a business that's going places... this would be a great opportunity." —N.C.

Meal Ticket

VANCOUVER'S **RAILTOWN CAFE** SAVES MONEY BY POWERING ITS KITCHENS WITH **FORTISBC** NATURAL GAS FROM THE PROVINCE'S NORTHEAST

When Dan Olson launched Railtown Cafe with fellow chef Tyler Day in 2012, the premises they took over ran on electricity. As their Vancouver restaurant and catering business grew to four locations, the pair switched to natural gas from FortisBC—not just for stovetops but for convection ovens, water heating and any equipment that doesn't need electric power. "Right now I'm buying everything I can natural gas," Olson says.

Olson, who employs some 200 full- and part-time staff at Railtown Cafe and Railtown Catering, estimates that running equipment on natural gas costs him about a quarter of what he spent on hydro. "When we were just a simple café doing \$1 million a year, we had 15 employees,

and the difference between gas and electricity wasn't that much," he says. "But now that we're growing, it makes a huge difference over the course of the four locations."

Cost isn't the only reason for the switch. "The gas-powered equipment that we're buying, it has a more consistent temperature throughout so that there's no hot spots in the ovens," explains Olson, who says many of his peers are following suit. Purchasing high-efficiency convection ovens

and deep fryers gets Raitown a big rebate from FortisBC, he adds.

In the Lower Mainland and other parts of the province, FortisBC has more than 1 million natural gas customers, says Cynthia Des Brisay, vice-president, midstream services. About 80 per cent of the gas used by clients such as Raitown comes from northeast B.C., where cities like Dawson Creek and Fort St. John depend on the energy sector.

A delivery company,



FortisBC doesn't produce natural gas or own any reserves, Des Brisay notes. The BC Chamber of Commerce member buys most of its gas from a market hub in the northeast called Station 2. From there, FortisBC transports the gas to its service territory via Enbridge Inc.'s BC Pipeline transmission system. To supply the Lower Mainland and Vancouver Island, the company connects with the pipeline at Huntingdon, near Abbotsford.

But as Des Brisay points out, the BC Pipeline system also hooks up with the Northwest Pipeline, which serves the Interstate 5 corridor all the way south to Portland. "About 70 per cent of the gas that's consumed or burned there is also coming from northeastern B.C."

The average annual load on FortisBC's system is

LIGHT IT UP As Raitown Cafe grew, much of the business converted to natural gas

roughly 350,000 gigajoules a day, Des Brisay says—almost 332 million cubic feet of natural gas. Over the winter, that tally climbs to 600,000 gigajoules daily, versus 200,000 during summer. Overall, demand has stayed relatively flat for the past few years, a trend that Des Brisay attributes to more energy-efficient appliances and building codes. "Although we're continuing to add customers to our system, we see that those customers on average are using less," she says. "And that's a good thing."

For restaurateur Olson, it looks like more natural gas is on the menu. As Raitown has opened locations in new buildings that offer both electricity and gas, the company has saved by negotiating higher usage of the latter in its leases. "This city is tough enough to earn a buck in," Olson says. "You scrape by every way you possibly can so that you're taking something down to the bottom line, or else what's the point?" —N.R.

Pedal to the Metal

As Canada's top producer of copper, B.C. stands to gain from the electric car revolution

ELON MUSK, CO-FOUNDER and CEO of electric car maker Tesla Inc., rolled into Vancouver for a much-hyped TED Talk last April. But chances are everyone's favourite entrepreneur hasn't visited the areas of the province he may come to depend on.

Since Tesla released its Model S in 2012, auto giants like BMW AG, General Motors Co. and Daimler AG have scrambled over each other to produce their

own electric cars. To do so, they need plenty of copper; thanks to the circuitry in their motors, these vehicles require up to four times more of the metal than conventional four-wheelers.

Last year worldwide sales of electric cars and plug-in hybrids surged about 50 per cent over 2016, to just below 1.2 million, according to the Electric Vehicle World Sales Database. Such vehicles now account for more than 2 per cent

of all automobiles. In 2016, B.C. mined roughly 345,000 metric tonnes of copper, Statistics Canada reports. Ontario was the country's second-largest producer, with just over 200,000 metric tonnes, while all other provinces were below 50,000.

"We're going to have a really big global demand for copper here," predicts Bryan Cox, president and CEO of the Mining Association of BC, who stresses that copper is a key material in the

production of everything from homes to electronic goods. "So we need to be able to plan for that well in advance, and ensure we have that supply on the market."

Today there are seven active major copper mines in the province, according to Cox: two in Williams Lake and one each in Campbell River, Dease Lake, Fort St. James, Kamloops and Princeton. Copper ores and concentrates were B.C.'s fourth-largest

export in 2016, accounting for a combined total of more than \$2.7 billion from countries like Japan, China and South Korea.

"Each direct job at a copper mine in B.C. has at least two supplier jobs that are attached to it, and many of those jobs are located in the Lower Mainland," Cox says. "Mining is a unique industry in B.C. natural resource-wise, because we truly do touch every single quarter of the province." —N.C.



Family Trees

WITH DEEP ROOTS IN THEIR COMMUNITIES, **KALESNIKOFF LUMBER** AND **LESLIE FOREST PRODUCTS** PROFIT FROM WORKING TOGETHER

Sometimes places just have the perfect name. Take the West Kootenay settlement of Thrums, for example. The word “thrum” refers to a continuous humming sound, and anyone who has made the journey along Highway 3A between Castlegar and the region’s most populous city, Nelson, will often hear exactly that.

Kalesnikoff Lumber Co., a member of the Nelson Chamber of Commerce, has been making noise in these parts since 1949, when now-CEO Ken Kalesnikoff’s great-uncle Koozma started a bush mill with his two brothers. Back in those days, the three men would set the mill up where the logs were instead of bringing wood to a set location.

“They worked six days a week, came home Saturday night out of the bush, got their clothes cleaned, washed, and back to work Sunday night to start Monday morning,” Kalesnikoff says.

By the time current chief executive graduated from high school and rolled up his sleeves, the mill had a permanent home in tiny Thrums

(conveniently located across the street from the local fire hall). In 1982 he helped introduce Kalesnikoff Lumber to the modern era by leaving his job on the mill floor to handle sales. Soon the younger Kalesnikoff convinced his father (Koozma’s nephew, Peter Jr.) to change the way the company did business.

“A lot of people were taking our lumber and making value-added products with it—so, siding and panelling and things like that,” Kalesnikoff recalls. “So I thought, ‘Well, we need to be doing this, because it would just take our lumber further.’”

In 2000, that thinking led to the creation of Kootenay Innovative Wood, a plant that makes softwood products. In 2011—after the passing of Peter Jr. in 2006—Kalesnikoff Lumber invested \$18 million on new technology that would allow it to keep making specialty items the big mills weren’t producing. The company now employs some 150 people and churns out roughly 100 million board feet of wood per

year, or enough to construct about 10,000 houses, Kalesnikoff estimates.

To succeed as a medium-sized mill in B.C.’s southeast region, Kalesnikoff Lumber has needed some help. Among the more than 30 urban companies it works with is Delta-based Leslie Forest Products Ltd., another family business that has spanned three generations. Launched in 1972, Leslie has about 50 staff and is run by brothers Ron and Dave Sangara, as well as Ron’s wife, Jas.

The Leslie-Kalesnikoff relationship is one of mutual convenience: both parties take turns acting as supplier and customer, with Leslie providing lath (thin, flat strips of wood often used to form the foundations of the plaster in walls or the tile in roofs) and dunnage (pieces of wood used to keep cargo in position). In return, Leslie receives about half a million

board feet in specialty items annually from Kalesnikoff’s mill.

Both companies do extensive trade with Asian countries, particularly Japan and China,

but they know that working with other B.C. businesses is crucial. “In an industry where our marketplace is the world, urban and rural is just part of the equation,” says Ron Sangara, president of Leslie Forest Products. “Most sawmills are located outside of the Lower Mainland, so we deal with many rural businesses. Where the world is our marketplace, rural and urban businesses are essentially neighbours.”

Kalesnikoff agrees. “It’s a big circle, so to speak,” he says. “We all make up the spokes in the wheel that make this province go ‘round.” And those that make it hum. —N.C.



On the Map

KAMLOOPS SOFTWARE MAKER **LIGHTSHIP WORKS** HELPS THE TOWN OF **ELKFORD** MANAGE ITS PUBLIC PROJECTS

Elkford may be home to just 2,500 residents, but like any community, it needs to keep track of a variety of assets. Since 2015, the picturesque East Kootenay district municipality has been doing that with software from Lightship Works Inc.

The Kamloops-based company, founded in 2011, offers a cloud-based platform that helps people with field operations management. “It lets them take all of that information that is coming out of a field operation, whether that is an industrial site like a mine or a gas plant or an emergency situation, and navigate it to find the things that are going to help them make better decisions,” says Jaethan Reichel, CEO of the 13-employee Kamloops Chamber of Commerce member. Lightship Works, whose clientele includes mining companies, emergency services agencies and First Nations as well as local governments, has more than 50 customers in Canada, South Africa and the U.S.

Previously, Elkford relied on a single online map that the provider had to update, explains Heather Potter, the municipality’s geographic information systems (GIS) technician. “Lightship Works allows us to have a huge number of customized maps as well as user groups, and it

allows my users to log in and use the maps they want, print maps, see the data on the real world—like on top of a Google overlay,” Potter says. “So it’s much more flexible.”

The Elkford Chamber of Commerce member, which subscribes to Lightship Works for a monthly fee, has about 10 staff on the platform. Potter says the main users are public works employees, who can head out on a dig with an iPad showing the location of utilities and land parcel lines. Unlike most other such software, Lightship Works is designed for non-technical users, she notes. “The people I’m working with just need to see the data and maybe change a few of the records or use it for updating information.”

When rural and urban governments and companies connect, everyone benefits, Potter argues. “Standardization of services and industry best practice are all really essential to keep the ball rolling,” she says. “If we can all network together, it allows us to provide better-quality services to our residents and businesses, while keeping the costs down because we’re all working together to move forward with the technology.”

Reichel thinks the urban and rural economies are more intertwined in B.C. than in the U.S., pointing to the large number of engineering and other professional services firms in Vancouver that have built their businesses on natural resources. “A lot of people don’t realize that—how many of those people that are going to Gastown every day are there because they are supporting work that’s happening in regions outside of the Lower Mainland.”

As technology makes it easier for people around the province to communicate with each other, it’s breaking down the urban-rural divide, Reichel adds. Today he could run a company like Lightship Works from a smaller community like Smithers if he chose, he says. “You’re going to see a lot of the businesses that normally would have felt like they needed to be in the Lower Mainland for access to capital, people and markets that are finding they can either have remote workers who live at Sun Peaks or Panorama, or can have their headquarters someplace else and still be very successful.” —N.R. ■