

10.1 Economic Impact of Flooding

What are the economic impacts of flooding in the province?

Key Messages:

- **Severe flooding and landslides in the province have caused extensive damage, including the closure of critical highways and rail lines.**
- **The extent of the economic impacts will depend on how quickly these important transportation routes can be re-established.**
- **This may exacerbate existing supply-chain issues, potentially putting more upward pressure on prices, as rail and road transportation routes are blocked and goods at the Port of Vancouver cannot be off/uploaded and transported to their destinations.**
- **While the extent of the potential impact on the broader BC and national economy is difficult to determine and won't be fully known until later, severe flooding in the province has had economic impacts on the devastated communities, businesses, and farms in the affected areas. Depending on their severity, these impacts could be longer lasting.**
- **The B.C. government declared a state of emergency on Nov 17, 2021, to mitigate impacts on transportation networks and movement of essential goods and supplies, and to support the provincewide response and recovery from the damage caused by severe flooding and landslides in B.C. On November 19, 2021, the B.C. government declared two provincial orders to limit retail gas consumption and prohibit non-essential travel on severely affected highways.**

Background:

- As of November 18, 2021, severe flooding from heavy rainfall starting on November 13, had resulted in 42 evacuation alerts and orders across B.C. Some of the most affected areas include Sumas Prairie in Abbotsford, the entire city of Merritt (population of over 7,000), and large portions of the town of Princeton. Homes, businesses, farms, and infrastructure were submerged and likely destroyed in the floods.
- On November 16, 2021, the Port of Vancouver announced that all rail service coming to and from the Port of Vancouver was halted due to flooding in the B.C. interior. Additionally, all main highways to the Metro Vancouver and Fraser Valley regions were closed due to washouts and landslide debris throughout

southwestern B.C., including closures on Highways 1, 3, 5 (Coquihalla), and 99. Other major routes in B.C. closed as well, including Highway 7 between Agassiz and Hope, and the Malahat on Vancouver Island.

- Progress has been made in restoring routes throughout B.C. As of November 18, the Malahat was open to single lane alternating traffic 24-hours a day. On November 19, it was announced that Highway 3 was now open to vital transportation, and that Highway 7, which was opened to westbound traffic earlier in the week, would be open two ways some time this weekend. This would provide a new connection from the Lower Mainland to the B.C. interior. It is expected that Highway 99 could be open by Sunday for restricted travel. No timelines are yet available for Highway 1, which continues to be under water in the Abbotsford and Chilliwack area, or the heavily damaged Coquihalla. CP rail is also expected to open their line by the middle of next week. To ease backlogs and assist road repairs, starting November 19, non-essential travel is prohibited on severely affected highways, which includes Highway 99, 3, and 7.
- Supply chains between Alberta and the B.C. interior, and all connections to the Prince Rupert port are still functional and operating. Goods are now being shipped from the Lower Mainland to the B.C. interior through northern Washington, as the U.S. has temporarily relaxed permitting requirements for truckers travelling through these areas and re-entering Canada beyond the impact area.
- The Port of Vancouver is Canada's largest port, and a major point of departure or entry for imports and exports of goods from B.C. and the rest of the country. In 2020, 145.5 million tonnes of cargo were moved through the Port of Vancouver, valued at approximately \$240 billion (over \$550 million per day). Disruption in the movement of these goods may lead to significant economic impacts across Canada.
- On November 16, 2021, the Trans Mountain Pipeline, which has capacity to ship 300,000 barrels of crude oil per day from Alberta to the Pacific Coast, was shut down in response to heavy rainfall and extreme weather conditions. The pipeline is expected to restart in some capacity by the end of next week. Additionally, shipments of natural gas through the Enbridge pipeline connected to northeastern B.C. have been reduced as the company checks stability of affected areas, resulting in increased prices for wholesale natural gas in the Lower Mainland. To maintain sufficient fuel supply, starting November 19, the B.C. government enacted a provincial order to prioritize access to gasoline for

emergency and essential vehicles, and limit retail use for non-essential vehicles to 30 litres per visit in the affected areas of southwestern B.C.

- These impacts to transportation links will put additional pressures on already constrained supply-chains, which could lead to higher prices for goods.
- The floods have devastated farms in the Fraser Valley, which accounts for over 50 per cent of B.C.'s egg, chicken, and dairy production. Impacts on the region's agricultural industry may be substantial. As of November 19, 959 farms in B.C. were under evacuation order and 164 farms remained on evacuation alert. 20,500 hectares of farmland had been impacted by the flooding.
- Negative economic impacts on other areas of the economy that rely on travel, such as winter tourism, could develop in the coming months if major routes that connect the Lower Mainland with the rest of the province are not reopened.

Quantitative Impacts:

- Economists at the Bank of Montreal (BMO) note that immediate disruptions to the economy are through the supply chains and flow of goods. They estimate that the combined impact of lost trade and delayed or lost spending and output due to the flooding will lower B.C. real GDP growth from a previously forecasted 5.3 per cent to 3.8 per cent for 2021. Canadian real GDP growth is expected to decrease by 0.2 percentage points (ppt) for 2021. It is expected that rebuilding efforts will add some growth to 2022.
- In recent Canadian history, the 2013 flood in Calgary cost approximately \$5 billion, which included \$409 million in damages to the city's infrastructure. \$150 million were also invested by the city and Government of Alberta into flood mitigation and resilience projects since 2013.