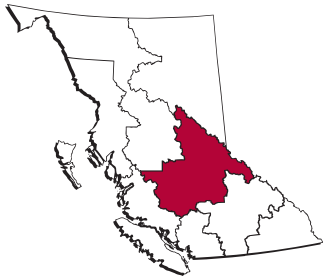




Cariboo Development Region



The Cariboo Development Region (CDR) is situated in central British Columbia and comprises 14.2% of the provincial land mass. About 60% of the population (94,884 residents) reside in the Fraser-Fort George Regional District, which includes the communities of Prince George, Mackenzie, Valemount, and McBride.¹ The remaining 40% (63,917 residents) live in the Cariboo Regional District to the south in the communities of Williams Lake, Quesnel, and 100 Mile House. In 2011, the population of the CDR increased by 751 persons (0.5%). This growth rate was slightly less than the provincial average (1.0%), but tied for third overall with the Thompson-Okanagan and the Vancouver Island/Coast Development Regions.

The main economic activities in the CDR are forestry and mining. BC's forest industry maintained its moderately-paced recovery last year, as the value of softwood lumber exports rose by 6.9%² due to record-breaking shipments to China. In the CDR, wood products manufacturers increased their output and hired more workers, despite poor harvesting conditions in the spring that led to temporary shut downs.³ Production at BC Central Interior mills increased in 2011 (5.5%),⁴ but still fell considerably short of pre-recession levels. Expansion into bioenergy and value-added wood products is helping to diversify this industry.

Higher metallic mineral prices driven by strong demand from Asia has contributed to the resurgence of BC's mining industry. Last year, the value of metallic mineral exports rose by \$368 million (11.6%), with shipments of copper (20.6%) leading this growth.⁵ The improved market conditions have spurred the development of mineral prospects and upgrades to working mines in the CDR. The Mount Milligan copper-

¹ Statistics Canada, *Population Estimates as of July 1st, CANSIM Table 051-0049.*
² BC Stats, *Exports (BC Origin) 2002-2011, March 2012.*
³ Service Canada, *British Columbia Labour Market Bulletin, July 2011.*
⁴ Statistics Canada, *Sawmills, Catalogue 35-003-X, March 8, 2012.*
⁵ BC Stats, *Exports (BC Origin) 2002-2011, March 2012.*

gold project is one of several mines in BC that was under construction in 2011. Although road access to the mine site is via Fort St. James in the Nechako, Prince George is the nearest major supply and service centre. Other mines, such as Gibraltar and Western Coal, are currently undergoing expansions, and there are a handful of mining developments proposed for the region. Exploration activity accelerated last year with an estimated \$71.5 million spent, compared to \$33 million in 2010.⁶

WORK Indicators

Job Creation

Job creation is an important indicator of the economic health of a region, highlighting shifts that have occurred in the labour market. The Cariboo labour market expanded for the second consecutive year in 2011. While nowhere near the magnitude of 2010's performance (4,800 jobs), the economy continued to grow with the addition of 900 more jobs. Losses sustained by goods-producing industries (-1,200 jobs) were offset by employment growth in the services-producing sector (2,200 jobs). However, the substantial shift from full-time to part-time workers last year⁷ may signal that total employment hours did not actually increase.

In 2011, nine out of eleven services-producing industries in the CDR reported employment gains. An expansion of workers in ambulatory services, hospitals and social assistance services⁸ boosted employment in health care and social assistance (1,300 jobs). Job growth in the professional, scientific and technical services industry (1,000 jobs) is a result of a strong year of exploration activity, and sizeable mine and major project development. Other noteworthy services-producing sector employment gains took place in transportation and warehousing (900 jobs) and accommodation and food services (700 jobs). With its strategic location in the heart of BC, transportation is becoming an increasingly important industry in the Cariboo. Two major projects to improve the region's highway transportation infrastructure wrapped up last year and two are still underway.

Conversely, both trade and other services shed a considerable number of workers last year (-1,300 jobs each). Retail sales, adjusted for inflation, were flat throughout the province last year.⁹ Sluggish job growth in many regions and high debt loads were likely factors contributing to this stasis. In the CDR, the overall shift towards part-time employment may have reduced purchasing power and contributed to a cautious outlook.

British Columbia's mining and forest industries are in a quandary—the demand for commodities and natural resources are increasing both at home and internationally, but there is a scarcity of loggers, haulers, operators, and skilled resource industry workers. Competition for workers has led to poaching from other industries, with some companies offering bonuses and allowances to attract workers. The CDR's goods-producing sector is feeling the pinch, as employment in forestry, fishing, mining, oil and gas dipped last year (-1,000 jobs) to reach the lowest level of the past decade. Detailed statistics show that for BC as a whole, forestry and logging companies lost workers, while employment in the mining industry expanded.¹⁰



⁶ Exploration expenditures for the Omineca Region, which comprises a large portion of the Cariboo. Source: Ministry of Energy and Mines, *Exploration and Mining in BC 2011, January 2012*.

⁷ 1,400 full-time positions were lost or replaced by 2,400 part-time jobs. Source: BC Stats, *Labour Force Activity by B.C. Development Region, February 2012*.

⁸ BC Stats, *Employment and Unemployment Rate by Detailed Industry, February 2012*.

⁹ Business Council of British Columbia, *BC Economic Review and Outlook, February 2012*

¹⁰ Statistics Canada, *Labour Force Survey Estimates, CANSIM Table 282-0008*.

Although job opportunities for contractors shrunk as the dollar value of the region's building permits plunged (-22.6%),¹¹ a surge of mining-related projects generated modest employment gains for construction workers (500 jobs). Manufacturing also posted slight growth (400 jobs) as wood products manufacturers expanded their workforce to meet growing demand for lumber.

Last year, the labour market expanded in all of BC's Development Regions except the Thompson-Okanagan and the Vancouver-Island/Coast. Northwest BC recorded the largest employment growth (7.2%), the Kootenays ranked second (3.9%), and the CDR placed fourth (1.1%).

Table 1-1: Employment, Cariboo Development Region, 2006 to 2011¹²

							Job Creation (000)	
	2006	2007	2008	2009	2010	2011	5-Year 2006-11	1-Year 2010-11
TOTAL EMPLOYMENT (000)	82.8	85.0	83.5	75.5	80.3	81.2	-1.6	0.9
Goods-Producing Sector (000)	25.0	27.2	23.3	21.0	22.3	21.1	-3.9	-1.2
Agriculture	-	2.9	2.0	-	2.0	-	-	-
Forestry, fishing, mining, oil and gas	4.5	5.5	4.9	5.6	5.2	4.2	-0.3	-1.0
Utilities	-	-	-	-	-	-	-	-
Construction	4.8	4.5	5.4	6.4	6.1	6.6	1.8	0.5
Manufacturing	14.1	14.3	10.2	8.1	8.4	8.8	-5.3	0.4
Services-Producing Sector (000)	57.9	57.7	60.2	54.5	57.9	60.1	2.2	2.2
Trade	13.1	13.6	13.5	10.7	13.8	12.5	-0.6	-1.3
Transportation & warehousing	4.9	6.7	4.3	3.8	5.6	6.5	1.6	0.9
Finance, insurance, real estate & leasing	3.0	2.6	3.2	2.8	3.0	3.4	0.4	0.4
Professional, scientific & technical services	3.6	3.1	3.3	2.9	3.1	4.1	0.5	1.0
Business, building & other support services	2.3	2.3	3.1	2.3	2.3	2.4	0.1	0.1
Educational services	5.8	5.3	5.2	4.8	5.8	5.9	0.1	0.1
Health care & social assistance	8.9	9.5	11.4	10.6	9.0	10.3	1.4	1.3
Information, culture & recreation	2.9	2.3	2.6	3.6	2.2	2.6	-0.3	0.4
Accommodation & food services	7.4	6.0	6.3	6.3	5.2	5.9	-1.5	0.7
Other services	2.7	3.2	3.6	3.7	4.4	3.1	0.4	-1.3
Public administration	3.4	3.1	3.7	2.8	3.4	3.5	0.1	0.1

Source: Statistics Canada, Labour Force Survey Historical Review

¹¹ BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts, by Type 2003 – 2011, 2011 Preliminary, March 1, 2012.*

¹² Industries with "-" are estimated to have less than 1,500 employed at that particular point in time, thus the numbers presented in the table may not add up to total sector figures, and job creation statistics cannot be calculated.

Unemployment Rate

The unemployment rate measures the number of unemployed individuals as a percentage of the labour force, and reflects demand and supply of labour. In 2011, the CDR's unemployment rate edged down slightly by 0.5 percentage points (ppt) to 7.6%, as the number of unemployed workers declined and the labour force expanded. This is the third lowest unemployment rate in the province, after the Northeast (4.9%) and the Mainland/Southwest (7.3%). All of BC's Development Regions, except Vancouver Island/Coast, saw a drop in the unemployment rate last year with the largest declines occurring in the Northeast (-1.9 ppt) and Northwest BC (-1.6 ppt).

Table 1-2: Unemployment Rate, Cariboo Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Cariboo	6.1	5.1	6.7	12.1	8.1	7.6	1.5 ppt	-0.5 ppt
British Columbia	4.8	4.3	4.6	7.7	7.6	7.5	2.7 ppt	-0.1 ppt

Source: Statistics Canada

An inflow of 1,800 young people available for work pushed the CDR's youth unemployment rate down to 12.3% (-1.2 ppt) in 2011. Virtually all of these individuals (1,700) secured employment—a remarkable achievement. There is no doubt that the worker shortage in the resource sector opened up job opportunities for youth.

Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Cariboo Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Cariboo	6.6%	6.7%	9.4%	18.7%	13.5%	12.3%	5.7 ppt	-1.2 ppt
British Columbia	6.5%	6.1%	6.8%	11.1%	11.3%	11.5%	5.0 ppt	0.2 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table

*Unemployment rate calculated by author for 2006 to 2008, 2010 and 2011

Nevertheless, the youth unemployment rate in the Cariboo is the second highest in BC (tied with the Thompson-Okanagan), after the Vancouver Island/Coast (12.6%). Youth unemployment was lowest in the Northeast (4.7%) and the Kootenays (6.8%).



INVEST Indicators

Business and Investment Activity

Capital investment plays a vital role in sustaining long-term economic growth through improvements in productivity and productive capacity. In BC, investment activity advanced at a steady pace in 2011, with the total value of investments proposed, underway, completed, or on hold increasing by 6.8%.¹³ In the CDR, the value of major project investment jumped from \$6.1 to \$7.2 billion (18.3%) when comparing the fourth quarters of 2010 and 2011. Although the bulk of investment dollars in the CDR were associated with mining developments, pipelines and energy generation comprised a fair share of this value.

Construction activity was brisk last year with the value of projects under construction increasing from \$3.6 to \$4.0 billion,¹⁴ as six new developments valued at \$741 million moved ahead. The largest of these, the Gibraltar Mine (\$350 million) near Williams Lake, is ramping up its capacity in order to take advantage of high copper prices and global demand. Plans to triple the production of Western Coal's operations (\$230 million) at several mine sites were also underway in 2011. Both projects are expected to be complete within several years.

The Trans Mountain Pipeline from Valemount to Burnaby (\$1.5 billion) and the Cariboo Connector highway project between Prince George and Cache Creek (\$241 million) were scheduled for completion last year but have been delayed. Construction at the Mount Milligan Copper/Gold Mine has been underway since the summer of 2010. Last year, its estimated cost was revised upwards to \$1.3 billion as the company struggled with the labour and material cost inflation rampant in the mining industry.¹⁵¹⁶ Once in operation, the mine is expected to employ 350 people year-round, with many of these jobs going to workers in the communities of Fort St. James and Mackenzie.¹⁷ Construction on this project is expected to be completed by early 2013.

Five major projects valued at \$205 million wrapped up last year in the CDR. These included two transportation projects totalling \$53 million, a \$110 million upgrade to Canfor's Northwood Pulp Mill, UNBC's \$21 million wood waste gasification plant and a \$21 million renovation to the College of New Caledonia in Prince George. The latter project transformed a trades building into a new Technical Education Centre with space for 360 students, and is intended to help the College to respond to industry needs.

In the last quarter of 2011, there were a total of 21 projects valued at \$2.6 billion in the proposal stage in the CDR. Of these developments, four are slated to commence construction in 2012. The largest, a 24-megawatt power station proposed for McBride (\$230 million) will generate power from biomass supplied by forestry cull piles and dead-standing and unmerchantable timber. The other significant project, the Bonanza Ledge Mine near Quesnel (\$60 million) received the green light to begin construction from the Province in late 2011. The gold deposit, which was discovered in 2000, is expected to produce 73,000 tonnes of ore per year, over a four-year period.

Incorporations



¹³ BC Ministry of Finance, *BC Major Projects Inventory, December 2011*. Note: Period of reference is fourth quarter 2010 to fourth quarter 2011.

¹⁴ Last year the \$498 million Endako Mine Expansion project was listed as under construction in the Cariboo in the Major Projects Inventory last year. In 2011, it was moved to the Nechako.

¹⁵ Gordon Hoekstra, *Prince George Citizen*, "Mount Milligan Mine Gets Big Cost Increase", May 6, 2011.

¹⁶ Matthew Hill, *Miningweekly.com*, "Mining Firms Suffering Never-Before-Seen Capital Blowouts", February 28, 2012.

¹⁷ Mt. Milligan Website: <http://www.mtmilligan.com/files/documents/may.pdf>

Business incorporations and bankruptcies are indicators of commercial success or failure, and a reflection of a region's entrepreneurial and investor optimism. In BC, the number of business incorporations grew marginally in 2011 (1.8%). The CDR posted a modest increase (4.4%) and placed fourth in growth among the Development Regions. The North Coast ranked first (23.7%) and the Nechako (12.5%) and Northeast (11.5%) ranked second and third.

Table 1-4: Business Incorporations, Cariboo Development Region, 2006 to 2011

	2006	2007	2008	2009	2010	2011	Percentage Change	
							5-Year 2006-11	1-Year 2010-11
Business Incorporations	601	560	557	440	456	476	-20.8	4.4%

Source: BC Stats

Business Establishments

The number of businesses operating in BC shrank by 0.4% in 2011. In the CDR, 96 (-0.8%) businesses closed their doors last year, marking a second year of decline.

Table 1-5: Number of Business Establishments – all sizes, Cariboo Development Region, 2007 to 2011

Region	2007	2008	2009	2010	2011	Percentage Change	
						4-Year 2007-11	1-Year 2010-11
Cariboo	11,769	11,700	11,794	11,363	11,267	-4.3%	-0.8%
British Columbia	360,779	360,882	362,665	370,262	368,879	2.2%	-0.4%

Source: BC Stats

Last year's losses were spread among sole proprietorships (-36) and operations with 1-19 (-29) and 20-49 (-23) employees, with the largest decline occurring in businesses related to construction. The dip in the value of building permits last year likely prompted some small business owners and their employees to shift into new jobs generated by mine development.

LIVE Indicators



Educational Attainment

Higher levels of education correspond to labour productivity, long term prosperity, and well-being. After two years of decline, the share of the CDR's labour force, age 25 to 54, with a post-secondary certificate/diploma or higher increased by 2.7 ppt to 55.8% in 2011. Although this was the third largest improvement in the province last year, the Cariboo still ranks sixth among the Development Regions in educational attainment. The Mainland/Southwest ranked first (68.4%), followed by Vancouver Island/Coast and the Kootenay (64.0% and 63.2% respectively).

Table 1-6: Percent of Labour Force Age 25 to 54 With a Post-Secondary Certificate/ Diploma or Higher, Cariboo Development Region, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point Change	
							5-Year 2006-11	1-Year 2010-11
Cariboo	50.9%	52.4%	56.2%	55.7%	53.1%	55.8%	4.9 ppt	2.7 ppt
British Columbia	61.0%	61.7%	62.6%	63.0%	64.4%	65.9%	4.9 ppt	1.5 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table

The increase in this indicator is attributed to an increase in workers at the bachelors degree level (2,100). There was no change in the number of workers with a post-secondary certificate or diploma, while the number of individuals in the labour force holding a degree above a bachelors degree declined (-500). Job creation in industries that demanded a high degree of skilled labour¹⁸ were responsible for much of the CDR's improvement in educational attainment in 2011.

Dependency on the Social Safety Net

The number of adult basic income assistance recipients as a percent of the population is highly correlated to labour market vitality, even though there is a share of the population that is dependent upon income assistance because they are unable to work.

As the economy of the CDR strengthened in 2011, new job opportunities made it possible for some individuals who had been receiving social assistance to return to the work force. Accordingly, the number of basic income assistance recipients as a percent of the population aged 19 to 64 declined by 1 percentage point to 3.2%. Dependency rates in the Fraser-Fort George Regional District fell dramatically (-4 ppt) last year, while the need for the social safety net increased (1 ppt) in the Cariboo Regional District.

Table 1-7: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Cariboo Development Region, 2008 to 2010¹⁹



¹⁸ Primarily health and social assistance, and professional, scientific and technical services.

Regional District	2008	2009	2010	2011
Cariboo	2.0	3.0	3.2	3.3
Fraser-Fort George	2.6	3.5	3.5	3.1
Development Region Total	2.3	3.3	3.3	3.2
British Columbia	1.5	1.9	2.0	2.0

Source: BC Stats

In 2011, the CDR recorded the second highest rate of income assistance dependency in the province (3.2%), after the North Coast (4.8%). Development Regions with the lowest rates include the Northeast (1.2%) and the Mainland/Southwest (1.7%). Province-wide, the percent of population dependent on Basic Income Assistance remained at 2.0%.

Conclusions

Last year, the CDR's economy built on the positive momentum that began in 2010, as global demand for lumber and minerals strengthened. Accordingly, most of our indicators were positive. In 2011, the labour market expanded, while the unemployment rate inched down. Like Northwest BC, work opportunities for the region's young workers swelled as labour shortages opened up more jobs for youth. More workers at the bachelor's degree level boosted the educational attainment of the labour force in 2011, a sign of rising productivity. Dependency on the social safety net decreased slightly, but is considerably higher than the BC average.

Most of our investment indicators are also positive. The value of major project construction underway increased significantly, and business incorporations continued to grow modestly. Although the number of business establishments in the region declined again last year, this may be a sign that entrepreneurs shifted into more lucrative employment generated by the mining industry.

The outlook for 2012 in the CDR remains positive. Solid growth is forecast in the near and long term for mining and oil and gas industries. There is still tremendous untapped potential for the Region's softwood lumber producers, and encouraging signs of recovery in the US economy should bode well once new home construction starts up again. Despite the rapid expansion into Asia, the US still remains Canada's number one trading partner. In a deal signed in early 2012, Canada and the US agreed to extend the terms of the 2006 softwood lumber accord, giving the Canadian forest industry another two years of relatively certain access to US lumber markets.²⁰

Challenges relating to the recruitment and retention of workers are becoming worrisome. Mount Milligan has recently revised construction costs upwards for the second time because of a shortage of skilled labour and professional engineers.²¹ This labour market shortage is expected to continue over the next decade²² and could constrain business viability and major project development in the CDR.

¹⁹ Rates are as of September for each year. A recipient is defined as "each person living in a family or living alone that is receiving basic Income Assistance". These figures include those on Temporary Assistance (Expected to Work, Expected to Work - Medical Condition, Temporarily Excused, Persistent Multiple Barriers). Excluded are those on Continuous Assistance (Persons with Disabilities), Children in the Home of a Relative, OAS/Seniors and aboriginals living on reserve.

²⁰ Laura Payton, CBC News, "Softwood Lumber Agreement with US Extended", January 23, 2012.

²¹ Gordon Hamilton, Vancouver Sun, "Labour Shortage at Mount Milligan Pushes Costs Up", February 29, 2012.

²² Karen Kornelsen, Mining and Exploration, "On Track to Deal With a Looming Labour Shortage", December 2011.

Glossary of Definitions

- **Business establishments:** Production entity or group of entities that produces goods or services, does not cross provincial boundaries, and provides data on value of output and input costs to the government.
- **Job creation:** Change in number of employed individuals between two given years.
- **Social safety net:** Transfers to unemployed individuals and families from the federal and provincial governments under the auspices of the Income Assistance and Employment Insurance programs.
- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.

