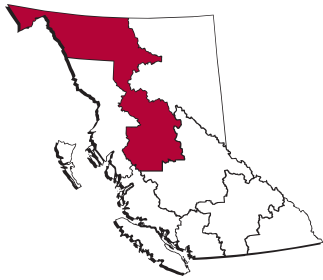




Nechako Development Region



The Nechako Development Region (NDR) encompasses 192,024 km², or 20.8% of BC's total land base.¹ The region consists of the Bulkley-Nechako and Stikine Regional Districts, and stretches from the Yukon border in the north to the Village of Fraser Lake in the south, and from the Alaska border in the west across to the Municipality of Vanderhoof in the east. It is the least populated Development Region in the province. Its largest centres are Smithers, Vanderhoof, Houston and Burns Lake. In 2011, the Nechako's population increased by 162 persons (0.4%) to reach 39,858.² This growth rate was slightly less than the provincial average (1.0%).

The bulk of economic activity takes place in the Bulkley-Nechako Regional District in the southern part of the region, where 97% of the population resides.³ Here, the mainstays are forestry, mining, tourism, and agriculture. The economic impact of the mountain pine beetle epidemic and the collapse of the US housing market have eased, but lumber production is still far below pre-recession volumes. Prior to the downturn, softwood lumber was BC's top export, but the steep decline in lumber shipments over the past five years, coupled with dramatic growth in coal exports, lead to coal exports nearly doubling lumber exports in 2011.⁴ Regardless, manufacturing of forest products still remains the top industry in the NDR. The pine beetle infestation has created new opportunities to diversify the forest sector, including pulp and pellet-plant operations, bio-energy facilities, and value-added wood production.

¹ Statistics Canada, Census 2011.

² Statistics Canada, Population Estimates as of July 1st, CANSIM Table 051-0049.

³ Ibid.

⁴ Statistics Canada, Sawmills, Catalogue 35-003-X, March 8, 2012.

Demand for metallic minerals from Asia has prompted a revival in BC's mining industry. Last year, there was healthy growth (11.6%) in the shipments of metallic mineral products, driven mainly by demand for copper.⁵ The improved market conditions have spurred expansion and upgrades aimed to extend the mine life of producing mines in the NDR, and made it viable for new mine development to proceed. Mineral exploration activity in northwest British Columbia reached record expenditure levels last year (\$220 million).⁶

Northwest BC lead the province in employment growth last year, with new major project activity driving the lion's share of this increase. Construction workers in the communities of Fraser Lake and Fort St. James benefited from the expansion of the Endako Mine and construction on BC's first new major metal mine in 15 years,⁷ the Mount Milligan Mine development. Road access to the mine, which is located in the Cariboo Development Region, is via Fort St. James. In contrast to this good news, the value of building permits for all types of construction activity dipped in 2011 (-34.6%).

WORK Indicators

Job Creation

The labour market in Northwest BC improved in 2011, following two years of job losses. Employment grew by 2,900 jobs (7.2%), a welcome improvement that helped offset the accumulated losses of 2009 and 2010 (-4,400 jobs). Last year's job creation in the services producing sector (3,000 jobs) offset a slight loss sustained by Northwest BC's goods producing industries (-100 jobs). Full time positions accounted for just over half of all job growth.

Employment in Northwest BC's services producing sector reached its highest level in nearly a decade in 2011. Industries that contributed the most to this gain were educational services (2,100 jobs), reflecting an increase in workers at primary and secondary institutions, and other services (1,100 jobs).⁸ While the magnitude of last year's job creation in educational services is difficult to justify,⁹ employment fluctuations in other services, which includes a broad array of personal and repair services, often corresponds with economic vitality. Other noteworthy service sector employment gains were in transportation and warehousing (700 jobs), a response to increased shipments through the Port of Prince Rupert and the growing demand for transportation services—such as trucks and cargo handlers, air transportation and taxicabs—as the economy began to heat up last year.

Conversely, employment in retail trade declined last year (-1,400 jobs), reflecting a similar trend at the provincial level. According to RBC Economics, retail sales, adjusted for inflation, fell in the province during the first eight months of 2011.¹⁰ Job losses in professional, scientific and technical services (-700 jobs) came on the heels of an impressive gain in the previous year (1,100 jobs). This loss is difficult to explain given the substantial increase in both exploration expenditures (22%)¹¹ and major project development in the Northwest last year—activities that often demand workers with professional, scientific, and technical skills.



⁵ BC Stats, Exports (BC Origin) 2002-2011, March 2012.

⁶ Ministry of Energy and Mines, Exploration and Mining in BC 2011, January 2012.

⁷ Mount Milligan Website: <http://www.mtmilligan.com/files/mtmilligan.php>

⁸ Other services has gained at least 1,100 workers—the 2010 value is suppressed (1,500 or less) and employment in the industry reached 2,600 in 2011.

⁹ This is a 45% increase over 2010, which does not seem probable given that the population grew by just 57 people. Statistics Canada's estimates of employment by industry are derived from sample surveys and they caution users that while the reliability of the survey is adequate at the provincial level, margin of error increases in smaller sub-groups.

¹⁰ RBC Economics, Provincial Outlook, December 2011.

¹¹ Ministry of Energy and Mines, Exploration and Mining in BC 2011, January 2012.

Workforce expansion in construction (1,300 jobs) was not sufficient to offset job losses in forestry, fishing, mining, oil and gas (-900 jobs) and manufacturing (-700 jobs) in Northwest BC's goods-producing sector. Although the overall dollar value of building permits mushroomed in the North Coast last year,¹² it was major project activity such as the Northwest Transmission Line and the Forrest Kerr Hydroelectric Project, and the Mount Milligan Mine¹³ development in the Nechako that generated substantial employment for construction workers.

Table 1-1: Employment, Northwest BC, 2006 to 2011¹⁴

							Job Creation (000)	
	2006	2007	2008	2009	2010	2011	5-Year 2006-11	1-Year 2010-11
TOTAL EMPLOYMENT (000)	42.8	42.0	44.8	41.5	40.4	43.3	0.5	2.9
Goods-Producing Sector (000)	13.8	13.6	13.6	12.4	11.4	11.3	-2.5	-0.1
Agriculture	1.5	-	-	-	-	-	-1.5	-
Forestry, fishing, mining, oil and gas	3.0	2.8	3.5	2.5	3.3	2.4	-0.6	-0.9
Utilities	-	-	-	-	-	-	-	-
Construction	3.0	2.3	2.6	2.9	2.1	3.4	0.4	1.3
Manufacturing	6.2	7.1	7.0	6.3	5.5	4.8	-1.4	-0.7
Services-Producing Sector (000)	29.0	28.4	31.2	29.1	29.0	32.0	3.0	3.0
Trade	5.7	7.1	7.2	6.7	6.9	5.5	-0.2	-1.4
Transportation & warehousing	4.1	3.1	3.2	2.8	3.0	3.7	-0.4	0.7
Finance, insurance, real estate & leasing	-	-	1.6	-	-	-	-	-
Professional, scientific & technical services	1.9	1.5	-	1.5	2.6	1.9	0.0	-0.7
Business, building & other support services	-	1.8	-	-	-	-	-	-
Educational services	4.0	2.7	2.6	3.0	2.6	4.7	0.7	2.1
Health care & social assistance	4.4	3.8	4.8	4.9	5.1	5.2	0.8	0.1
Information, culture & recreation	-	-	-	-	-	-	-	-
Accommodation & food services	2.5	3.1	3.6	3.1	2.4	3.0	0.5	0.6
Other services	-	-	-	1.9	-	2.6	-	-
Public administration	-	2.1	2.9	2.2	2.0	1.9	-	-0.1

Source: Statistics Canada, Labour Force Survey Historical Review



¹² BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts, by Type 2003 – 2011, 2011 Preliminary, March 1, 2012.*

¹³ Located in the Cariboo Development Region, but the Nechako supplies much of the works as access to the site is via Fort St. James.

¹⁴ 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 represents the balance of labour supply and demand. In 2011, Northwest BC's unemployment rate declined by 1.6 percentage points (ppt) to reach 8.6%. An expanding labour force paired with a decline in the number of unemployed workers, drove the unemployment rate down.

Table 1-2: Unemployment Rate, Northwest BC, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Northwest BC	6.8	8.1	7.8	10.6	10.2	8.6	1.8 ppt	-1.6 ppt
British Columbia	4.8	4.3	4.6	7.7	7.6	7.5	2.7 ppt	-0.1 ppt

Source: Statistics Canada

After the Northeast (-1.9 ppt), this was the biggest improvement in BC last year. Nevertheless, Northwest BC's unemployment rate still remains the highest in the province—but the gap is closing. In 2011, the lowest unemployment rates recorded among the Development Regions were in the Northeast (4.9%) and the Mainland/Southwest (7.3%).

Labour market opportunities for youth in Northwest BC improved dramatically last year with the creation of 2,300 jobs (71.9%). A significant decline in unemployed youth (-50.0%) outpaced the expansion of the labour force (42.9%), suppressing the youth jobless rate downward by 15.5 ppt to reach 8.3%. Not only is this lower than the region's general rate of unemployment, it is the first time in at least a decade that the youth unemployment rate has fallen below the provincial youth average. The jobless rate for youth in Northwest BC is now the third lowest in the province, after the Northeast (4.7%) and the Kootenays (6.8%).

Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Northwest BC, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Northwest BC	11.8%	12.8%	12.1%	15.1%	23.8%	8.3%	-3.5 ppt	-15.5 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

Labour Force Survey statistics indicate youth job creation was distributed equally between the North Coast and Nechako Development Regions in 2011. It is likely that worker shortages in the resource sector that began to surface last year opened up job opportunities for young workers.



INVEST Indicators

Business and Investment Activity

Capital investment contributes to long-term economic growth by developing productive capacity and enhancing labour productivity. Investment spending in BC rose in 2011, with the total value of investments proposed, underway, completed, or on hold expanding by 6.8%.¹⁵ In the NDR, the value of major project investment soared from \$2.6 to \$4.7 billion (78.2%) between the fourth quarters of 2010 and 2011.¹⁶

Most developments in the Nechako are in the proposal stage (\$3.9 billion), but three are slated to commence construction in 2012. Upgrades to the copper/silver/molybdenum Huckleberry Mine (\$201 million) near Houston will preserve employment for 230 workers by extending the mine life through to 2021. The largest project, the \$450 million Tulsequah Chief Mine is located on a major tributary of the Taku River in the Stikine Regional District, near the Alaska border. The project is a redevelopment of an old site that was mined by Cominco in the 1950's. Once in operation, the mine will produce copper, gold, silver, lead, and zinc over a nine year lifespan. However, development on this project has been slow to get off the ground, and it is possible that delays may push its construction start date into next year.

According to the December 2011 BC Major Projects Inventory, one project worth \$550 million was underway in the NDR in the fourth quarter of 2011. The expansion of the Endako Mine, which will be complete in the spring of 2012, is anticipated to increase mine throughput from 31,000 to 55,000 tonnes per day and will increase the workforce by about 70 employees once complete.¹⁷

Two major projects were wrapped up last year in the NDR—the Burns Lake Pellet Plant (\$30 million), which is now utilizing pine beetle-killed wood to produce an alternative to fossil fuels like coal, and upgrades to the Northwest Community College in Smithers (\$17 million) to accommodate mining and mineral exploration and health services programs.

Incorporations

Business incorporations and bankruptcies are an indicator of entrepreneurial and investor confidence.¹⁸ The number of new business incorporations in BC increased slightly last year (1.8%) marking a second year of growth in this indicator. In the NDR, incorporation growth (12.5%) surpassed the provincial average to rank second in BC, after the North Coast Development Region (23.7%). Last year's gain is entirely due to commercial activity in the community of Smithers, a supply and service centre to Northwest BC's mining industry. In other parts of BC, such as the Thompson-Okanagan, Vancouver/Island Coast, and the Kootenays, the number of business incorporations declined.



¹⁵ BC Ministry of Finance, BC Major Projects Inventory, December 2011. Note: Period of reference is fourth quarter 2010 to fourth quarter 2011.

¹⁶ Part of this increase appears to be due to a reclassification of the Endako Mine Expansion (\$550 million) that was previously listed under the Cariboo.

¹⁷ Thompson Metal Website: http://www.thompsoncreekmetals.com/s/Endako_Mine.asp

¹⁸ No information on bankruptcies is available until later in 2012.

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

	2006	2007	2008	2009	2010	2011	Percentage Change	
							5-Year 2006-11	1-Year 2010-11
Business Incorporations	137	131	118	72	88	99	27.74%	12.5%

Source: BC Stats and Office of the Superintendent of Bankruptcy Canada

Business Establishments

Following three years of strong growth, in 2011, the total number of businesses operating in British Columbia declined by 0.4%. The Nechako was the only Development Region in the province last year to record a small amount of growth in this indicator (0.1%).

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

Region	2007	2008	2009	2010	2011	Percentage Change	
						4-Year 2007-11	1-Year 2010-11
Nechako	3,558	3,498	3,308	3,403	3,405	-4.5%	0.1%
British Columbia	360,779	360,882	362,665	370,262	368,879	2.2%	-0.4%

Source: BC Stats

An increase in the number of operations with 20-49 employees (12) made up for losses in sole proprietorships (-1) and businesses with 1-19 (-8) and 50+ (-1) employees. Industries that drove growth in businesses with 20-49 employees were construction, health care, and social assistance and accommodation and food services.

LIVE Indicators

Educational Attainment

Statistics Canada aggregates labour force educational attainment data for the North Coast and Nechako Development Regions into Northwest BC.

The education level of an economy's labour force is tied to productivity and its potential for generating future wealth. In 2011, the share of Northwest BC's labour force, age 25 to 54, with a post-secondary certificate/diploma or higher rose for the fourth straight year to reach 59.3%. Last year's gain was the second largest in the province. Despite this improvement, Northwest BC still ranks fifth among the Development Regions in educational



attainment. The Mainland/Southwest ranked first at 68.4%, followed by the Vancouver Island/Coast and Kootenay Development Regions (64.0% and 63.2% respectively). Regardless, the region has made substantial progress over the last five years in this indicator.

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

Region	2006	2007	2008	2009	2010	2011	Percentage Point Change	
							5-Year 2006-11	1-Year 2010-11
Northwest BC	51.3%	44.7%	47.7%	50.8%	54.0%	59.3%	8.0 ppt	5.3 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 improvement in this indicator in Northwest BC was due to an increase in the number of workers with a post secondary certificate or diploma (1,500) and an education that was above a bachelor’s degree (300). These gains are directly correlated to workforce expansion in industries such as educational services, transportation, and construction that demand mostly skilled employees.

Dependency on the Social Safety Net

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

An improved labour market in the Nechako last year facilitated a return to the work force for many individuals who had been receiving social assistance. Accordingly, the number of basic income assistance recipients as a percent of the population aged 19 to 64 declined by 4 percentage points to 2.3%. Aside from the North Coast, which achieved the same standing, this is the highest rate of decline in the province last year. Dependency rates for most development regions stabilized or declined slightly in 2011.

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

Regional District	2008	2009	2010	2011
Bulkley-Nechako	2.0	2.7	2.7	2.3
Stikine	-	-	-	-
Development Region Total	2.0	2.6	2.7	2.3
British Columbia	1.5	1.9	2.0	2.0

Source: BC Stats. Note: Statistics are not available for the Stikine Regional District



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.

Province-wide, the percent of population dependent on Basic Income Assistance remained at 2.0% last year. Regions with the lowest dependency rates include the Northeast (1.2%) and the Mainland/Southwest (1.7%). The Nechako ranked fourth. The highest rates were seen in the North Coast (4.8%) and the Cariboo (3.2%).

Conclusions

The economy of the NDR began to show signs of economic revitalization in 2011, and most of our indicators confirm that the worst of the recession is over. Labour market activity picked up, driving the unemployment rate downwards in 2011, but it remains the highest in BC. New work opportunities for people with a higher education boosted the educational level of the labour force in 2011, improving productivity and incomes. And jobs for young people were abundant as worker shortages in the resource sector created new prospects for youth. Consequently the demand for social assistance dropped appreciably.

Although the value of capital investment in the NDR rose considerably in 2011, the largest share of these investments is still in the proposal stage. An increase in the number of business establishments and rising numbers of new incorporations verify that the business climate is gradually building strength. Construction is forecast to play a key role in economic growth in 2012, with three mining projects—Mount Milligan,²⁰ Tulsequah Chief, and Huckleberry—already in progress or ready to go. In the forest sector, signs of recovery in the US economy are promising and the 2006 softwood lumber accord has been extended, giving the Canadian forest industry another two years of relatively certain access to US lumber markets.²¹ The tragic fire that destroyed the Babine Forest Product Sawmill early in 2012, however, has put a damper on NDR forest industry output and employment. Looking forward, uncertainty remains over whether the mill will reopen, and what this will mean for the logging and trucking contractors who work in the region.²² Fortunately, about half of the mill's 250 employees have been able to secure employment at other forestry or mining operations in the area.

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.

²⁰ This mine is located in the Cariboo Development Region but access to the site is via Fort St. James.

²¹ Laura Payton, CBC News, "Softwood Lumber Agreement with US Extended", January 23, 2012.

²² First Nations in British Columbia Website: <http://fnbc.info/burns-lake-was-facing-disaster-even-explosion>