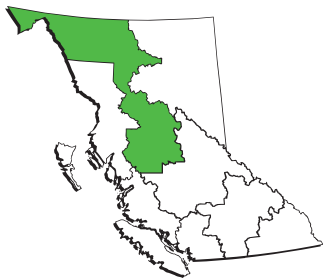


2013 Regional Check-Up

LIVE
WORK
INVEST
IN BC

Nechako Development Region



The Nechako is the second largest and least-populated Development Region in BC. Situated in the Northwest corner of the province, it has a land base of 192,024¹ km² and extends from the centre of BC to the Yukon border. The Nechako Development Region (NDR) is comprised of two Regional Districts—the Bulkley-Nechako and Stikine. The largest population centres are Smithers (population 5,304), Vanderhoof (4,113), and Houston (3,041), and are located in the Bulkley-Nechako Regional District, and comprise 97% of the region's population.²

In 2012, the population of the NDR declined by 83 people (-0.2%), falling to 39,249. The Nechako, along with neighbouring North Coast, was the only Development Region in BC to report a loss of population last year. In the rest of the province, population growth was modest, with the largest increases reported in the Northeast (2.2%) and the Mainland/Southwest (1.4%).

Like most of Northern BC, the Nechako's economy is driven by activity in the resource sector and is susceptible to swings in global economic conditions. In 2012, weakness in the European, Japanese, American, and Chinese markets reduced demand for BC's exports and contributed to volatile commodity prices. Despite these challenges, resource industries continued to bolster the NDR economy in 2012: upgrades and expansion at the Endako and Huckleberry mines and new development at Mount Milligan increased regional employment and local spending.³ Mineral exploration expenditure in the Skeena and the Omineca mining regions reached another record high, increasing by 54% to reach \$448.5 million

¹Statistics Canada, *Census 2011*.

²BC Stats, *British Columbia Regional District and Municipal Population Estimates*, December 2012.

³Although Mount Milligan is located in the Cariboo, both the Cariboo and Nechako Development Regions are benefiting from direct and indirect employment generated by construction activities. Road access to Mount Milligan is via Mackenzie in the Cariboo and Vanderhoof and Fort St. James in the Nechako.

in 2012⁴ - a reflection of expectations that the global market's demand for commodities will persist. However, weak molybdenum prices, lower-than-anticipated ore grades, and productivity issues with respect to the new equipment on the recently completed Endako Mine expansion resulted in temporary staff cut backs.⁵

A surge in lumber prices in late 2012, fuelled by a rebound in US housing starts, demand from China, and a smaller global timber supply renewed activity in the NDR's forest industry. In BC, the value of lumber exports increased for the third consecutive year by 9.7%.⁶ The improved softwood lumber market has prompted a rebuild of the Burns Lake mill, restoring the economic mainstay of a town that had been left reeling earlier in the year. Challenges related to labour shortages and rising costs, however, are putting stress on the NDR's forest industry.⁷

WORK Indicators

Statistics Canada aggregates WORK indicator data for the Nechako and the North Coast Development Regions. Together, these two regions comprise Northwest BC (NWBC).

Job Creation

Job creation is a primary indicator of a region's labour market trends and economic health. Despite a flurry of economic activity in NWBC last year, labour market statistics indicate an overall loss of 4,000 jobs (-9.2%). The creation of about 900 new positions in the goods-producing sector was overshadowed by the loss of 5,000 jobs (-15.6%) in the Northwest's services-producing industries. Statistics Canada reports that the majority of job losses were full-time positions.

Given the magnitude of major project development underway in 2012, it is no surprise that Northwest BC's construction industry had another good year. The addition of 1,200 new jobs drove annual employment in the industry to a high of 4,600. According to the *BC Major Projects Inventory*, as of December 2012, \$69 billion worth of major projects were at the proposal stage, and about \$16 billion were ready to break ground in 2013. The demand for construction workers in the Northwest is projected to continue to increase over the coming years.⁸ On the ground, employment in the industry is likely higher than regional employment numbers indicate, because temporary and camp-based workers are not reflected in the local Labour Force Survey numbers.⁹

The forestry, fishing, mining, oil and gas industry in NWBC expanded slightly in 2012 (200 new jobs), a reflection of renewed forestry and logging activity.¹⁰ The manufacturing industry, which has been in a steady slide since the recession, recorded a loss of 200 workers. Contributing to this was the Babine Forest Products fire in the Nechako that destroyed the mill early in the year, putting 250 employees out of work. Nevertheless, activity in the region's mills picked up in response to rising softwood lumber demand, pushing employment in the industry upwards by year end.



⁴ The NDR lies in a portion of the Skeena and Omineca Regions. Source: Ministry of Energy and Mines, *Exploration and Mining in BC 2012*, December 2012.

⁵ Business in Vancouver, Jenny Wagler, "Low Moly Prices Drive Endako Mine Shutdown", August 15, 2012.

⁶ BC Stats, *BC Origin Exports*, February 2013.

⁷ Central Interior Logging Association, *FACTSFAX Weekly Log-Harvesting Industry Update*, "Cashing in on the Supercycle", Issue # 682, Week of November 23, 2012.

⁸ North Coast and Nechako Development Regions combined. Source: BC Ministry of Finance, *BC Major Projects Inventory*, December 2012.

⁹ Source: Statistics Canada.

¹⁰ BC Stats, *Employment and Unemployment Rate by Detailed Industry*, April 2013.

Table 1-1: Employment, Northwest BC, 2007 to 2012¹¹

	2007	2008	2009	2010	2011	2012	Job Creation (000)	
							5-Year 2007-12	1-Year 2011-12
TOTAL EMPLOYMENT (000)	42.0	44.8	41.5	40.4	43.3	39.3	-2.7	-4.0
Goods-Producing Sector (000)	13.6	13.6	12.4	11.4	11.3	12.2	-1.4	0.9
Agriculture	-	-	-	-	-	-	n/a	n/a
Forestry, fishing, mining, oil and gas	2.8	3.5	2.5	3.3	2.4	2.6	-0.2	0.2
Utilities	-	-	-	-	-	-	n/a	n/a
Construction	2.3	2.6	2.9	2.1	3.4	4.6	2.3	1.2
Manufacturing	7.1	7.0	6.3	5.5	4.8	4.6	-2.5	-0.2
Services-Producing Sector (000)	28.4	31.2	29.1	29.0	32.0	27.0	-1.4	-5.0
Trade	7.1	7.2	6.7	6.9	5.5	5.2	-1.9	-0.3
Transportation & warehousing	3.1	3.2	2.8	3.0	3.7	2.5	-0.6	-1.2
Finance, insurance, real estate & leasing	-	1.6	-	-	-	-	n/a	n/a
Professional, scientific & technical services	1.5	-	1.5	2.6	1.9	1.5	0.0	-0.4
Business, building & other support services	1.8	-	-	-	-	-	n/a	n/a
Educational services	2.7	2.6	3.0	2.6	4.7	3.4	0.7	-1.3
Health care & social assistance	3.8	4.8	4.9	5.1	5.2	4.2	0.4	-1.0
Information, culture & recreation	-	-	-	-	-	-	n/a	n/a
Accommodation & food services	3.1	3.6	3.1	2.4	3.0	2.4	-0.7	-0.6
Other services	-	-	1.9	-	2.6	1.9	n/a	-0.7
Public administration	2.1	2.9	2.2	2.0	1.9	2.4	0.3	0.5

Source: Statistics Canada, Labour Force Survey Historical Review

Northwest BC's services-producing sector experienced job losses in 7 out of 8 industries in 2012. Educational services (-1,300 jobs), transportation and warehousing (-1,200 jobs), and health care and social assistance (-1,000 jobs) sustained the largest losses. Detailed statistics reveal that the dip in educational employment is primarily due to a reduction in workers at primary and secondary institutions in the region. A loss of this magnitude seems odd, particularly as overall educator employment within NWBC's school districts did not change in 2011/12.¹² This swing also comes on the heels of an impressive gain (2,100 jobs) in 2011 that was also difficult to explain. Statistics Canada's estimates of employment by industry are derived from sample surveys, and users are cautioned that while the reliability of the survey is adequate at the provincial level, the margin of error increases in smaller sub-groups, such as that for NWBC.

Province-wide, the transportation industry has been weighed down by a shortage of drivers, mechanics, dispatchers and operations staff.¹³ In the Nechako, the logging industry has lost truck drivers to major projects and the mining industry. Northern BC has also been struggling to attract both nurses and physicians to rural areas. In some communities, this shortage has been exacerbated by nearby construction, mining, or exploration work camps that are not equipped to deal with employees' healthcare.



¹¹ 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.

¹² BC Ministry of Education, *Teacher Statistics*, January 2013.

¹³ *Castlegar News*, "Plenty of Job Opportunities in Trucking Industry", November 2012.

Other noteworthy service sector job losses occurred in other services (-700 jobs), and in accommodation and food services (-600 jobs). Some hotel and food service operators are finding it difficult to secure staff as many unskilled workers have been seconded by work camps where the pay is better.

The only industry in the service sector that posted a gain in 2012 was public administration (500 new jobs). The demand for many of the services provided by this industry, including infrastructure maintenance, administration of health care, education, natural resources, social safety net, and policing, is related to the size of the region’s population. Northwest BC’s boom in economic activity and swelling temporary resident population has no doubt prompted additional demand for public services.

Northwest BC was the only region to record a decline in employment last year (-9.2%). The Northeast reported the highest rate of job creation (6.7%), while the Cariboo (4.9%) and Kootenay (3.7%) ranked second and third.

Unemployment Rate

The unemployment rate measures the number of unemployed individuals as a proportion of the labour force. In 2012, the balance between labour supply and demand deteriorated in Northwest BC, as the region’s unemployment rate rose by 2.1 percentage points (ppt) to reach 10.7%. With the loss of 4,000 jobs, there was an increase in the number of workers that left the labour force, and a decline in the participation rate; the net effect of this combination was an increase in the region’s unemployment rate. While some locals have secured employment in other geographic areas, others may be upgrading their skills to take advantage of both current and anticipated work opportunities. A substantial skills mismatch between employer demand and the local supply of labour is also contributing to the high unemployment rate.

Table 1-2: Unemployment Rate, Northwest BC, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Point (ppt) Change	
							5-Year 2007-12	1-Year 2011-12
Northwest BC	8.1%	7.8%	10.6%	10.2%	8.6%	10.7%	2.6 ppt	2.1 ppt
British Columbia	4.3%	4.6%	7.7%	7.6%	7.5%	6.7%	2.4 ppt	-0.8 ppt

Source: Statistics Canada

Northwest BC had the highest unemployment rate in BC in 2012, and was also the only region to report an increase in this indicator. In contrast, the lowest unemployment rates were recorded in the Northeast (4.1%), the Vancouver Island/Coast (6%), and the Mainland/Southwest (6.8%).

Labour force dynamics for youth followed the same pattern as the general unemployment rate, with both the labour force of youth available for work, and the number of employed young workers shrinking. Accordingly, the youth unemployment rate rose by 2.8 ppt to reach 11.1%. Labour Force Survey statistics indicate the majority of labour force losses took place in the Nechako. The increase in minimum wage last year may have posed a barrier to hiring youth for some employers.



Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Northwest BC, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Point (ppt) Change	
							5-Year 2007-12	1-Year 2011-12
Northwest BC*	12.8%	12.1%	15.1%	23.8%	8.3%	11.1%	-1.7 ppt	2.8 ppt
British Columbia	6.1%	6.8%	11.1%	11.3%	11.5%	10.9%	4.8 ppt	-0.6 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table

*Unemployment rate calculated by author

Although Northwest BC posted the second highest youth unemployment rate in BC in 2012, after the Cariboo (14.0%), it was only 2 ppt above the provincial average. Other Development Region's in BC that experienced a reduction in their youth unemployment rate included the Vancouver Island/Coast (-2.3 ppt), Mainland/Southwest (-.5 ppt), and Thompson-Okanagan (-1.3 ppt).

INVEST Indicators

Business and Investment Activity

Investment in infrastructure improvements such as non-residential structures, machinery and equipment, creates jobs, boosts productivity, and increases BC's economic competitiveness. In recent years, the private sector has accounted for approximately 90% of BC's capital investment, with the public sector comprising the rest.

In 2012, capital investment activity in BC fell short of what had been initially predicted for the year. Slower economic growth in late 2012, a decline in provincial exports, and the prospect of a "fiscal cliff" in the US dampened investor confidence. Preliminary estimates show that non-residential investment grew by 6.8% between 2011 and 2012, to reach \$20 billion - a rate was less than half the predicted growth rate of 14.8%.¹⁴ The value of new project investment proposed for BC last year, however, grew by 34%.¹⁵ Much of this improvement was due to roughly \$30 billion worth of new developments, mainly mining, liquefied natural gas, and pipeline projects, planned for the North Coast.

In the NDR, projects in the proposal stage (\$5.9 billion) in the fourth quarter of 2012 accounted for 93% of the region's investment.¹⁶ This was a 52% increase over the same period in 2011. The majority of these projects were mining related. The BC's Major Projects Inventory reveals that three new projects valued at \$605 million are proposed for start-up in 2013. The \$450 million Tulsequah Chief Mine redevelopment in Northwest BC, 100 kilometres south of Atlin in the Stikine Regional District, is a revival of two mines formerly operated by Teck Resources. The project recently received final permits and is construction-ready, pending project financing.¹⁷



¹⁴ Statistics Canada, *Public and Private Investment in Canada, Intentions-2013*, Catalogue No. 61-205-X, February 2013. Note: These are preliminary estimates for 2012, as of March 2013.

¹⁵ BC Ministry of Finance, *BC Major Projects Inventory, December 2012*. Note: Period of reference is fourth quarter 2011 to fourth quarter 2012.

¹⁶ Total value of investments proposed, under construction, on hold or completed.

¹⁷ Chiefain Metals Inc., *Press Release*, "Chiefain Receives Final Permits for Tulsequah Chief", February 13, 2013.

Another substantial investment is the rebuild of Babine Forest Product’s sawmill in Burns Lake (\$100 million). The new mill will be about two-thirds the size of the original, due to restricted log availability, and is expected to be operational by early 2014. The remaining project slated to go ahead in 2013 is the replacement of the Lakes District Hospital in Burns Lake (\$55 million).

One major project worth \$201 million was underway in the NDR in the fourth quarter of 2012. Work to optimize and extend the life of the Huckleberry Mine south of Houston began last spring, creating 70 new positions. Additionally, these upgrades will keep the mine’s 260 current workers employed for an additional seven years; the mine had initially been expected to wind down in 2014.

Another mine project, the Endako Expansion (\$650 million) near Fraser Lake, wrapped up last year. The replacement of the existing mill nearly doubles processing capacity and extends mine life by seven years. The mine directly employs 420 workers and provides indirect employment to another 600 workers, and is estimated to generate up to \$100 million annually in economic activity in the NDR.¹⁸

Incorporations

Business incorporations and bankruptcies are important measures of business success or failure, and reflect the resilience of entrepreneurs and investors. The number of new business incorporations in British Columbia increased marginally in 2012 (0.7%), marking a third year of improvement in this indicator. In the NDR, the annual number of incorporations swelled by 32.3% to reach 131, this indicator’s third year of growth. It now sits at its pre-recession level.

In 2012, three of eight Development Regions saw an increase in the number of business incorporations. The NDR lead the way, with last year’s gain primarily due to rising demand for business services in the community of Vanderhoof. This community is situated near the Mount Milligan and Endako mine sites, and in the vicinity of considerable mineral exploration activity. The Cariboo and Thompson-Okanagan Development Regions placed second and third in business incorporation growth last year, increasing by 8.6% and 6.4% respectively.

Table 1-4: Business Incorporations and Bankruptcies, Nechako Development Region, 2007 to 2012

	2007	2008	2009	2010	2011	2012	Percentage Change	
							5-Year 2007-12	1-Year 2011-12
Business Incorporations	131	118	72	88	99	131	0.0%	32.3%
Business Bankruptcies	1	8	4	4	1	0	-100.0%	-100.0%

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

Businesses bankruptcies in the Nechako, as well as many parts of BC, have been falling steadily for the past decade. By 2012, not a single business filed for bankruptcy in the NDR. This is no doubt a reflection of recent investment and mining activity, which has both strengthened the economy and stimulated local spending.

¹⁸ BC Government Online News Source—www.newsroom.gov.bc.ca/2012/06/endako-mine-opens-mill-expansion.html

The NDR recorded the greatest decline in bankruptcies (-100%) between 2011 and 2012; while this decrease is good news, it is necessary to stress the difference between the Nechako and the province's more populous Development Regions. For instance, in 2012 the Mainland/Southwest recorded 23,329 business incorporations, in comparison to 131 in the NDR. The Cariboo ranked second with 33.3% fewer bankruptcies (a drop of 3 to 2), followed by the Vancouver Island/Coast (-30.3%). In contrast, the Kootenay and the Thompson-Okanagan reported substantial increases at 57.1% and 30.3% respectively.

LIVE Indicators

Educational Attainment

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

Educational achievement is an integral element of labour force productivity. In 2012, the share of Northwest BC's labour force with a post-secondary certificate/diploma or higher declined by 3.7 ppt, falling to 55.6%, which was 11% below the provincial average. This was the second lowest level of attainment in the province last year, after the Northeast (52.8%). The Mainland/Southwest recorded the highest rate (69%), followed by the Vancouver Island/Coast (65.6%), and the Thompson-Okanagan (62.2%).

Table 1-5: Percent of Labour Force Age 25 to 54 With a Post-Secondary Certificate/Diploma or Higher, Northwest BC, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Point Change	
							5-Year 2007-12	1-Year 2011-12
Northwest BC	44.7%	47.7%	50.8%	54.0%	59.3%	55.6%	10.9 ppt	-3.7 ppt
British Columbia	61.7%	62.6%	63.0%	64.4%	65.9%	66.6%	4.9 ppt	0.7 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table.

Last year's decline in overall educational attainment was mainly due to the loss of 1,300 people at the post-secondary certificate or diploma level. Likewise, the number of individuals with a university level education declined by 600. While there is a shortage of skilled labour in Northwest BC, some workers have relocated to other parts of Northern BC or Alberta where their skills are better matched to employer demand.

Dependency on the Social Safety Net

Social safety net dependency is defined as the share of population aged 19 to 64 that requires basic income assistance because they are unable to work. Although there is a consistent share of the population who are dependent upon income assistance for reasons of health or inability to work, this indicator moves with the unemployment rate.

In 2012, the NDR's dependency rate of the working age population declined 0.2 ppt to 2%. Given the region's increase in the unemployment rate last year, this was positive news. Nonetheless, the share of income assistance recipients in the NDR rests above the provincial average of 1.7%. While dependency rates fell throughout BC last year, the need for income support in all Development Regions remains higher than pre-recession years.

Table 1-6: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, Nechako Development Region, 2007 to 2012¹⁹

Region	2007	2008	2009	2010	2011	2012	Percentage Point (ppt) Change	
							5-Year 2007-12	1-Year 2011-12
Bulkley-Nechako	1.7	2.0	2.7	2.7	2.3	2.1	0.4 ppt	-0.2 ppt
Stikine	-	-	-	-	-	-	-	-
Development Region Total	1.7	2.0	2.6	2.7	2.2	2.0	0.3 ppt	-0.2 ppt
British Columbia	1.4	1.5	1.9	2.0	2.0	1.7	0.3 ppt	-0.3 ppt

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

In 2012, income dependency was lowest in the Northeast (1.1%), Mainland/Southwest (1.5%), and Kootenay (1.8%). At the other end of the spectrum, the North Coast and Cariboo reported the highest share of population dependent on basic income assistance at 4.3% and 2.7% respectively. The Nechako tied for fourth place with the Thompson-Okanagan and Vancouver Island/Coast.

Consumer Bankruptcies

Although debt loads in the province eased last year, BC residents still hold the highest average debt levels in Canada.²⁰ Regardless, personal bankruptcy rates have steadily improved since 2009 and now sit just above pre-recession levels at 2 per 1,000 population.

Table 1-7: Annual Consumer Bankruptcy Rates per 1,000 Population Aged 18 Years and Older, Nechako Development Region, 2007 to 2012

Region	2007	2008	2009	2010	2011	2012	Percentage Change	
							5-Year 2007-12	1-Year 2011-12
Nechako	1.7	2.3	3.0	3.7	1.9	1.3	-24.3%	-30.8%
British Columbia	1.9	2.1	2.9	2.6	2.2	2.0	3.9%	-7.2%

Source: Office of the Superintendent of Bankruptcy Canada and Statistics Canada

In 2012, Nechako consumer bankruptcies dropped by 30.8%, to 1.3 per 1,000 population. This was the region's lowest level in the past decade, as well as among all Development Regions last year. Bankruptcy rates in the North Coast and Mainland/Southwest were also low (1.6 and 1.7 respectively). At the other end of the spectrum, rates in the Cariboo and Thompson-Okanagan were double that of the Nechako (2.7 and 2.6 respectively).

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 TransUnion, *News Release*, "Personal Debt Levels Continue to Soar to Record High Level", February 5, 2013.

Conclusions

Despite the unstable global economic situation, portions of the NDR's economy continued to gain strength in 2012. The region's businesses reaped the benefits of unprecedented mineral exploration and sizeable mine development, as incorporations soared and business bankruptcies were nonexistent. There was less reliance on the social safety net and consumer bankruptcies reached their lowest level in the past decade—a sign that less people are struggling financially.

Our Work indicators, however, are not as optimistic. Northwest BC (Nechako and North Coast combined) was the only region in BC to report job losses in 2012, and much of these were full time positions. The unemployment rate increased, and was the highest recorded in BC. Some skilled workers have left the NDR to secure employment that matches their qualifications, leaving a lower-skilled supply of labour to meet local demand. Further, as in many rural areas of BC, there appears to be an outmigration of the region's youth to urban areas of the province.

However, the outlook for 2013 is positive. The forest industry is optimistic and lumber prices are predicted to remain high; wood manufacturers that survived the downturn are well-positioned to take advantage of this recovery. However, the skilled worker shortage may worsen as mills and logging camps increase their activity to meet global lumber demand. This may ultimately hamper mill capacity, business viability and major project development in the NDR. Further, a potential future lumber supply constraint - as salvageable pine beetle-infested wood begins to run out - is also concerning, particularly for the region's "super-mills" that were built over capacity.

Construction at Mount Milligan will be winding down in 2013, but the mine is planning to continue to support local communities by hiring the majority of the 350 workers needed during operations from the Nechako and Cariboo Development Regions.²¹ Investments in the Burns Lake sawmill and hospital should generate some employment for local construction trades people; others may secure work at mills as the forest industry ramps up, and if workers are mobile, a vast array of major project development is unfolding in the nearby North Coast.

Labour market news in the Northwest during the first quarter of 2013 is encouraging. Employment has risen slightly since December 2012, and the unemployment rate has dropped to 8.2%.²²



²¹Thompson Creek Metals, *Mount Milligan External Enews*, February 21, 2013.

²² Statistics Canada, *Labour Force Survey Estimates by Provinces and Economic Regions*, CANSIM Table 282-0054.

Glossary of Definitions

- **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.