

Northeast Development Region

Northern Rockies • Peace River



The Northeast Development Region (NEDR) is one of the largest geographic areas in the province. With a land area of 204,352 km², it takes up almost one quarter of BC's total land mass. The region, which encompasses the Peace River and Northern Rockies Regional Districts, had a population of 69,574 in 2005.¹

The majority of the economic activity of the NEDR is driven by the resource sectors – agriculture, oil, gas, mining, and forestry. The NEDR is the largest agricultural producer in BC, generating 90% of its grain and 95% of its canola.² Much of the agricultural activity occurs in the Dawson Creek and Fort St. John areas. The oil and gas sector in Northeast BC has grown dramatically, and is now one of the region's biggest employers.³ The NEDR generated 16% of BC's total oil and gas production in 2004.⁴ Oil and gas exploration and development is the leading employer in Fort St. John and Fort Nelson.

Since 1981, development of coal deposits southwest of Dawson Creek has made mining the largest resource component of the area's economy, and at the end of 2005 there were six new mining projects proposed in the Northeast, primarily coal operations around Tumbler Ridge.⁵ Hydro-electric projects on the Peace River have had economic effects in both regional districts, and with a looming energy shortage in BC there is renewed interest in developing another hydroelectric dam on the Peace River.



¹ BC Statistics.

² BC Statistics. *BC Regional Index*.

³ Ibid.

⁴ PricewaterhouseCoopers (2005). *The Mining Industry in British Columbia 2004*.

⁵ Ministry of Small Business and Economic Development (September 2005). *BC Major Projects Inventory*.

Abundant forest resources and direct rail links to the Pacific Rim and Eastern Canadian markets have fuelled the growth of the forest sector in the NEDR, and forestry is a major employer in Fort Nelson and Fort St. John.

Between 2000 and 2005, population in the NEDR grew by 9.8%.⁶ This was the fastest growth rate of any development region in BC, and well above the provincial average of 5.3%. Approximately 85% of these new in-migrants moved to the Peace River Regional District (primarily) to Fort St. John, and most of those moving to the Northern Rockies were destined for Fort Nelson.⁷ BC Statistics forecasts population in the NEDR will grow at a more modest rate, reaching over 80,000 by 2031.⁸

live indicators

income

For this analysis, we use real income growth to compare the economic growth of the Northeast with that of other development regions of BC. The only consistent regional income indicator available for BC is pre-tax income,⁹ with the most current data being from 2003.¹⁰ Regional income per capita for each development region has been deflated with the Consumer Price Index to net out inflation effects and allow a comparison of *real* changes with other regions.

On a per capita basis, real pre-tax income in the NEDR rose 8.2% from \$20,095 (in 2000 dollars) to \$21,742 (in 2000 dollars) between 2000 and 2003.¹¹ This was the highest rate of real per capita income growth in BC. During the same three year period, the provincial average declined by 0.7%, reflecting the erosion of purchasing power in some of the other development regions such as the North Coast. As of 2003, the Northeast had the third highest real pre-tax income per capita in BC, lagging only behind the Mainland Southwest and Vancouver Island Development Regions.

What explains this dramatic gain in real income in the NEDR? First, the growth in total pre-tax income grew by 10.5% between 2000 and 2003, while population increased at a slower rate of 2.3%. The net results is higher income per capita. And the greatest gains were made in earnings income. The employment rate increased during this time, and workers saw their average earnings grow. Real average employment income per taxfiler increased from \$31,629 in 2000 to \$33,844 in 2003 in the NEDR.¹² The unemployment rate also declined dramatically from 9% in 2002 to 6.4% in 2003, accompanied by an overall decline in dependence on the social safety net. Subsequently, in 2004-2005, job creation was the most significant in the goods-producing sector, with gains in the higher-paying occupations of construction and manufacturing.¹³



⁶ BC Statistics, Ministry of Labour and Citizen's Services, *BC Regional District and Municipal Population Estimates - 1996-2005*, March 2006.

⁷ BC Statistics, Population Section, Ministry of Labor and Citizens' Services, Government of BC, March 2006.

⁸ BC Statistics, Ministry of Management Services, *Population Estimates (1986-2004) and Projections (2004-2031)*.

⁹ Pre-tax income is comprised of labour force income (employment income, wages and salaries, income from self-employment, employment insurance benefits), pension income, old age security, CPP/QPP, superannuation, family allowance income, interest & other investment income, limited partnership income, rental income, other income (e.g. alimony, income for non-filing spouses), RRSP income, non-taxable income, GST credit, child tax credit, workers' compensation payments, social assistance payments, and guaranteed income supplements. Monies not included in pre-tax income are: veterans' disability and dependent pensioners' payments, war veterans' allowances, lottery winnings and capital gains.

¹⁰ Our annual review of the economic and social climate of British Columbia's Development Regions is based on the most up to date information available from Statistics Canada, BC Statistics, and other credible public sources of data. Nevertheless, delayed reporting by our statistical sources means that a few one or two-year lags exist for some of the indicators, such as pre-tax regional income. This is a constraint of working with BC regional data, but does not take away from the veracity of the results.

¹¹ These are nominal figures, not adjusted for inflation. Per capita means per person. Total pre-tax income is divided by the population size to estimate this figure.

¹² Statistics Canada. **Real pre-tax income per capita** is the sum of all income – labour force, pension, interest & other investment, limited partnership, rental, RRSP, and non-taxable income – divided by the population and adjusted for inflation. **Real average employment income per taxfiler** is the sum of wages and salaries, and self-employment income – divided by the number of individuals who filed a personal income tax return, and adjusted for inflation.

¹³ Statistics Canada, *Labor Force Survey*.

Table 1: Real Pre-Tax Income per Capita (2000\$), Northeast Development Region, 2000 to 2003

Region	2000	2001	2002	2003	Percentage Change	
					3-Year 2000-03	1-Year 2002-03
Northeast DR	\$20,095	\$21,231	\$21,034	\$21,742	8.2%	3.4%
British Columbia	\$21,686	\$21,373	\$21,378	\$21,541	-0.7%	+0.8%

Source: British Columbia Neighbourhood Income Demographics, BC Statistics.

Table 1 illustrates that, by 2003, average pre-tax income per capita in the NEDR had outstripped that of the province as a whole. Nevertheless, a notable gap persists between the pre-tax incomes of residents of the Northern Rockies and Peace River Regional Districts.¹⁴ With an average real pre-tax income per capita of \$28,064 in 2005, residents of the North Rockies earned more than those in the Peace River Regional District who weighed in at an average \$21,082.¹⁵ This disparity can be ascribed to the lack of diversity in the Northern Rockies where employment is primarily in forestry, and oil and gas exploration and development. In contrast, the Peace River Regional District employs a higher share of individuals in lower paying occupations of both the goods and services sector, such as agriculture, business, and related services.

educational achievement

Between 2001 and 2005, approximately one quarter of 18 year olds in BC did not graduate from high school. The results for both regional districts within the NEDR are comparatively dismal. In 2002/03-2004/05, 39% of 18 year olds in the Peace River Regional District did not complete high school, and 46% of those in the North Rockies Regional District. These were the highest rates of non-completion in the province.

Table 2: Percentage of 18 Year Olds Who Did Not Graduate, Northeast Development Region, Average 2001/02-03/04 and 2002/03 – 04/05

Regional District	Average 2001/02-2003/04	Average 2002/03-2004/05
Peace River	39.2%	38.8%
Northern Rockies	43.6%	45.9%
British Columbia	24.9%	24.4%

Source: BC Statistics.



¹⁴ Statistics Canada.

¹⁵ Both expressed in 2000\$.

live indicators

The reasons for this educational gap are numerous and complicated, but the existence and perception of education opportunities are a factor in graduation rates, as well as educational attainment and parental involvement in education. Moreover, when the economy is strong, high paying local jobs in the local and regional resource industries – many of which do not require high school completion – are tempting to young workers who have not completed high school. This partly explains what happened in the Northern Rockies Regional District, which saw the percentage of 18 year olds who did not graduate high school rise from 43.6% to 45.9% in 2002/03-2004/05, at a time when youth unemployment fell to a record low of 5.8% in 2005 (compared with 10.9% in 2003).¹⁶

When they are available, resource jobs pay well for those workers with no post-secondary education. But these workers become vulnerable to the boom and bust price cycle of resources, and many live through extended periods of unemployment. Quitting school early generally leads to lower long-term earnings and possibility social instability.

Northeast communities face two critical challenges for its young workers – to provide them with the education and skills they need to attain and keep good jobs, and to keep them living in the north. It has been demonstrated that students who pursue their education in the north tend to stay and work there.¹⁷ Already, the oil and gas industry is experiencing skill shortages in the NEDR, and having difficulty attracting and keeping workers from outside the region, and emphasizing the need to train locally. The provincial government has established the Oil and Gas Education and Training Consortium to help support Northern Lights College's plans to accommodate an additional 180 students in vocational, trades, career, and technical programs related to the oil and gas training. This includes the construction of a \$12 million centre for oil and gas excellence at the College to qualify northern students for local jobs.

dependency on the social safety net

Although declining, the NEDR continues to have a high dependency on the social safety net.¹⁸ The share of the adult population in the NEDR that required Income assistance or Employment Insurance declined from 7.6% in 2000 to 4.0% in 2005. The BC rate was 3.7% in 2005.

Interestingly, data from BC Statistics shows that NEDR residents who rely on the social safety net are far less reliant on Income Assistance and more on Employment Insurance than the respective provincial averages.¹⁹ This reflects the seasonable nature of, and high reliance on, jobs in forestry, oil and gas, mining, and agriculture. In September 2005, the share of the population aged 19-64 who received Employment Insurance in the Northern Rockies and Peace River Regional Districts was 4.4% and 3.2% respectively – compared to the provincial average of 2.5%.

Table 3: Basic Income Assistance Recipients and EI Beneficiaries as a Percent of the Population Aged 19-64, Northeast Development Region, 2001 to 2005²⁰

Region	2001	2002	2003	2004	2005
Peace River	7.9	7	6.4	5.6	3.9
Northern Rockies	5.5	5.2	6.2	5.8	-
Northeast DR Total	7.6	6.8	6.4	5.6	4.0
British Columbia	7.0	6.1	5.1	4.2	3.7

Source: BC Statistics.



¹⁶ Statistics Canada.

¹⁷ Jago, Charles and three northern college' presentation (May 2004). *Revitalizing Northern BC's Economy Through Education and Research*.

¹⁸ The exception is September 2002 when the Northern Rockies Regional District dipped below the provincial average.

¹⁹ BC Statistics (March 2006). *Population 19-64 Receiving Basic Income Assistance or Employment Insurance*, September 2005. <http://www.bcstats.gov.bc.ca/data/lss/iaui/iaui3.pdf>

²⁰ Rates are as of September for each year.

job creation

Accelerated activity in the energy sector (coal and gas) has stimulated the Northeast economy and drawn new workers to the NEDR in search of high-paying and sustainable jobs.²¹ In 2004-05, approximately 1,000 new jobs were created in the NEDR, mostly in the goods-producing sector. This marked a reversal from the previous year, when total employment in the NEDR declined. Altogether, 2,500 new jobs were generated in this region between 2000 and 2005.

In the **goods-producing sector**, the NEDR saw the creation of 1,000 new jobs between 2004 and 2005. Statistics Canada data shows that the largest gains were in agriculture (1,000 new jobs), construction (500 new jobs), and manufacturing (400 new jobs). What is contrary to expectations is that the resource sector²² experienced a decline in employment, with the loss of 400 jobs in 2004-05. But this statistic does not necessarily belie the strength and vibrancy of the regional resource sector. It captures the ongoing trend towards economic efficiencies and mechanization in the resource industries, and a chronic shortage of qualified workers. Increasingly, employers are seeking workers who offer technical skills combined with communication, leadership, problem-solving, and/or specialized training. This holds particularly true at the exploration and early development phase of the oil and gas industry.²³ Many workers who move to the northeast to work in the resource sector do not stay, and the demand for skilled labour presently exceeds the supply in the NEDR

Overall results for the **services-producing sector** were less impressive than goods. Between 2004 and 2005, 200 jobs were lost in services, with the biggest hits occurring in trade and educational services. This marked the second year of decline in the service sector, although there was still a net gain of 1,100 jobs between 2000 and 2005.

Transportation and warehousing saw significant employment gains throughout BC in 2005, and the NEDR was no exception. This was linked to the increased resource sector and agricultural activity. Other services²⁴ gained 500 jobs in 2005, after losing 800 in the previous year. Some of this was driven by gains in the transportation sector, particularly those repair and maintenance establishments, and growing demand for services fuelled by a larger population. The demand growth for accommodation and food services was stimulated by worker inflow and increased tourism in the northeast.



²¹ Statistics Canada *Labor Force Survey*; Finlayson, Jock, Business Council of BC. *BC and Lower Mainland Economic Outlook and Trends*. Presented to Vancouver Real Estate Forum April 19, 2006.

²² Forestry, fishing, mining, oil and gas

²³ Jago, Charles and three northern college' presentation (May 2004). *Revitalizing Northern BC's Economy Through Education and Research*.

²⁴ Other services include repair and maintenance, personal and laundry services, and religious, grant-making, civic, and professional organizations.

work indicators

Table 4: Employment in the Northeast Development Region, 1999 to 2004²⁵

	2000	2001	2002	2003	2004	2005	Job Creation (000)	
							5-Year 2000-05	1-Year 2004-05
TOTAL EMPLOYMENT (000)	31.8	32.5	33.2	34.9	33.3	34.3	2.5	1.0
Goods-Producing Sector (000)	11.1	10.9	10.9	10.5	11.3	12.4	1.3	1.1
Agriculture	-	-	-	-	1.5	2.5	-	1.0
Forestry, fishing, mining, oil and gas	4.4	3.7	3.3	4.2	4.1	3.7	-0.7	-0.4
Utilities	-	-	-	-	-	-	-	-
Construction	3.1	3.1	4.0	3.4	3.4	3.9	0.8	0.5
Manufacturing	2.4	2.2	2.2	1.8	1.6	2.0	-0.4	0.4
Services-Producing Sector (000)	20.7	21.6	22.4	24.4	22.0	21.8	1.1	-0.2
Trade	4.4	4.7	5.5	5.5	5.5	5.0	0.6	-0.5
Transportation & warehousing	2.9	2.7	2.4	3.8	2.7	3.0	0.1	0.3
Finance, insurance, real estate & leasing	-	-	-	1.7	-	-	-	-
Professional, scientific & technical services	-	-	-	1.7	1.9	1.8	-	-0.1
Business, building & other support services	-	-	-	-	-	-	-	-
Educational services	2.4	1.7	1.9	2.3	2.0	1.7	-0.7	-0.3
Health care & social assistance	1.6	3.0	3.2	2.5	2.3	2.2	0.6	-0.1
Information, culture & recreation	-	-	-	-	-	-	-	-
Accommodation & food services	2.3	2.4	2.5	2.2	2.0	2.5	0.2	0.5
Other services	1.5	2.2	1.9	2.3	1.5	2.0	0.5	0.5
Public administration	1.6	-	-	-	-	-	-	-

Source: Statistics Canada, Labour Force Survey Historical Review.



²⁵ Industries with 0.0 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 can not be calculated.

work indicators

unemployment rate

The NEDR has enjoyed the lowest unemployment rate in BC for the past three years. It declined by a further 0.7% in 2004-05 to reach 4.7%, compared with the provincial average of 5.9%.²⁶

Table 5: Unemployment Rate in the Northeast Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Point (ppt) Change	
							5-Year 2000-05	1-Year 2004-05
Northeast DR	5.9	6.1	9	6.4	5.4	4.7	-1.2%	-0.7%
British Columbia	7.1	7.7	8.5	8.0	7.2	5.9	-1.2%	-1.3%

Source: Statistics Canada

invest indicators

business and investment activity

2005 was a very positive year for BC, with improvements in a number of areas of the economy occurring simultaneously – impressive performances in the construction and energy sectors; a recovering high-tech sector; a turnaround in the fiscal position of the BC government; and greater demand for BC exports, particularly resources. Despite the strong Canadian dollar, the value of BC exports rose 7% during the first three quarters of 2005 due to strong global resource demand and prices.²⁷

In the NEDR, 2005 marked the second year of dramatic economic growth and investment, with several major capital projects either proposed or underway. The BC Major Project Inventory shows that in the third quarter of 2005, approximately \$1.7 billion worth of projects were either started or proposed.²⁸ Construction was underway on two coal mining projects in Chetwynd and Tumbler Ridge, and an OSB plant in Fort St. John. In addition, there were six more coal mines proposed, and four power generation projects, including two wind farm projects near Chetwynd.



²⁶ Statistics Canada, Historical Labour Force Survey, 2006 Edition, CD1, Table 30AN.

²⁷ Scotiabank Group (December 5, 2005). *Provincial Pulse*. http://www.scotiacapital.com/English/bns_econ/bnsprpr_bc.pdf

²⁸ This includes some projects that cross more than one region (for example, pipelines)

invest indicators

A recent industrial overview undertaken by the District of Chetwynd projected of the companies interviewed that \$530 million will be invested in the Chetwynd and Tumbler Ridge areas by 2008, including:²⁹

- \$150 million on oil and gas projects;
- \$260 million on ten mining projects;
- \$20 million on three forestry projects; and
- \$100 million on “other” projects, most notably the Dokie and Wartenbe wind energy projects.

There is also some growing diversification in the NEDR, as various scientific and technical services serving the energy sector gain a foothold in the Northeast. Job creation in professional and scientific services declined slightly in 2005 compared to 2004 (see Table 4), but in the long term the energy, agriculture and forest sectors will require more local technical support. This will stimulate more investment and business activity in the ancillary technical businesses.

incorporations and bankruptcies

2005 marked the second year of dramatic growth in the number of business incorporations in the NEDR. Between 2004 and 2005, the number of incorporations expanded by almost 50% to 564. This is the highest annual level of incorporations seen in any development region in the past decade. The NEDR's rate of new incorporations outstripped those in the rest of BC during the past one and five years.

Table 6: Business Incorporations and Bankruptcies in the Northeast Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Business Incorporations	234	277	236	291	377	564	141.0%	49.6%
Business Bankruptcies ³⁰	17	18	17	20	18	9	-47.1%	-50.0%

Source: BC Statistics.

The number of business bankruptcies in the NEDR has remained comparatively low since 2000, and saw a 50% decline in 2004-05. With only 5 bankruptcies in 2005, the NEDR had the best improvement of all development regions. The trend in incorporations and bankruptcies both attest to the positive investment climate in the NEDR.



²⁹ Urban Systems (November 2005). *Industrial Review and Impact Assessment*. Undertaken for Chetwynd and Area Economic Development Commission. This excludes investment in the Northern Rockies Regional District.

³⁰ Business bankruptcy data represents the cities of Dawson Creek and Fort St. John.

number of business establishments

Between 2000 and 2005, the number of business establishments in the NEDR rose by 1,046, or 18%. This growth rate was comparable with the provincial average, with the NEDR ranking fourth in the province.

Table 7 Number of Business Establishments in Northeast Development Region – all sizes, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Northeast DR	5,794	6,340	6,357	6,617	6,831	6,840	18.1%	0.1%
British Columbia	289,832	315,738	315,277	332,418	346,316	345,227	19.1%	-0.3%

Source: BC Statistics

The composition of these new establishments in the NEDR is unique in BC. Between 2000 and 2005, over 60% of the new establishments were large, that is, they employed over 50 employees.³¹ No other development region in BC saw more than 12% of their new establishments with more than 50 employees.³² In the same vein, approximately one third of the NEDR's new establishments employed between 20 and 49 workers, while on average only 1.5% of new businesses in BC had this many employees. At the other end of the spectrum, the share of new establishments with *no* employees (i.e., self-employed, sole proprietors) in the NEDR was 31%, while it was 37.8% for the province as a whole.

The foregoing confirms that a significant share of new businesses in the NEDR are medium or large, although – like elsewhere in BC – small, self-employed businesses are also playing a major role in business formation. It is no surprise that large businesses dominate in this region, because of the major capital required to operate in the resource industries.



³¹ Statistics Canada.
³² Ibid.



conclusions

Thanks to the buoyant world market for coal and gas, the economy of the NEDR is strong, and attracting a record number of new residents. Today the NEDR is a good place to work and invest. With solid job creation over the past year, a low unemployment rate, and rising real incomes, the NEDR has achieved a reputation as a magnet for highly paid workers and those seeking new opportunities. But there is already a looming shortage of skilled and qualified labor that may constrain growth. So the economic development challenge is twofold. First, local students need encouragement and/or incentives to complete high school and achieve post-secondary accreditation, which will ready them for the specialized jobs that await in their communities. Second, employers and local governments in the northeast need to find ways to attract and retain skilled workers in many fields – petrophysical, geoscientific, health services, education, business administration, culture and others.

An essential element of keeping workers and their families will be offering the quality infrastructure and services that make the northern communities desirable places to develop a career, start a business and raise a family. Equally as important will be finding ways to establish new industries in the northeast and ensure their long-term success as domestic enterprises, rather than satellite operations on the “frontier” with head offices elsewhere in Canada.

The resource industries will continue to drive long term economic growth in this area of the province. The greatest potential lies with coal deposits in the Rocky Mountain foothills, forest resources, a diversifying agriculture sector, oil and gas exploration and development (including petrochemicals), and expansion of hydro-electric and wind power potential. In addition, the regional transportation system will be utilized by ongoing resource projects in Alaska, the Yukon, and the North West Territories. This adds up to long term and sustainable economic growth in the NEDR.

