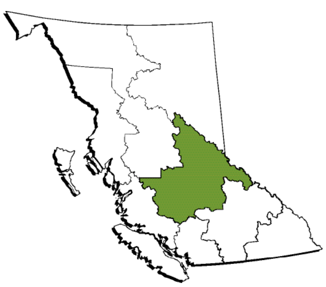
Cariboo Development Region



The Cariboo Development Region (CDR) comprises the Cariboo and Fraser-Fort George Regional Districts, with a total land area of 131,335 km^2. Although this is the third largest Development Region by area in British Columbia, it accounts for just under 4% of the provincial population.

Historically, economic activity in the CDR has been generated by the forestry, tourism, mining, and agriculture industries. With a wealth of forest resources, wood and pulp and paper manufacturing continues to dominate the economy. Trade, which is fuelled primarily by forestry and mining activity—both regionally and in the North—follows closely behind manufacturing in terms of economic importance. Prince George, with its strategic location along the Northwest Corridor,[1] is the prime beneficiary of this activity.

Overall, the CDR remains one of the least diversified regions in the province, although new and planned developments have the potential to begin a transformation. Recently, for example, higher commodity prices have resulted in increased exploration and the proposed opening of new mines; storage facilities are being built to accommodate new and planned pipelines; and roadworks, upgrades, and other projects are being implemented to further develop the Northwest Transportation and Trade Corridor.

1 A modern well-connected network of highways, railways, airports, and marine port facilities spanning northern British Columbia and Alberta. It provides key connections to producer and consumer markets in North America, Asia, Europe, South America, and Africa.

In 2007, the CDR's population was 164,274, which represented a *decline* of 0.6% over the 2002 to 2007 period.[2] The Cariboo Regional District, which comprised approximately 40% of the CDR's population in 2006, saw the greatest rate of decline of the two Regional Districts over the past five years. In contrast, British Columbia's population grew by 6.4% during the same period. Fortunately, this trend appears to have reversed in the CDR, and the population is now beginning to recover; the population grew slightly (by 0.6%) in 2007, the third consecutive year of population increase after seven straight years of decline.

LIVE Indicators

Educational Achievement

The local availability of well-paid jobs in the forestry and forestry-based manufacturing industries, which often do not require a post-secondary education, has likely contributed to low educational attainment in the region. However, Statistics Canada data shows that between 2002 and 2007, the share of the CDR labour force with post-secondary education rose from 45.6% to 52.3% (this was still below the provincial average, which rose from 57.8% in 2002 to 61.7% in 2007).

Table 1-1: Percent of Labour Force Age 25-54 With a Post-Secondary Certificate/Diploma or Higher, Cariboo Development Region, 2002 to 2007

							Percentage Point Change	
Region	2002	2003	2004	2005	2006	2007	5-Year 2002-07	1-Year 2006-07
Cariboo DR	45.6%	50.7%	n/a	48.0%	n/a	52.3%	+6.7 ppt	n/a
British Columbia	**57.8%**	**58.9%**	**59.3%**	**59.8%**	**61.0%**	**61.7%**	**+3.9 ppt**	**+0.7 ppt**

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

It is important to note that the CDR realized a higher rate of growth in educational attainment over the past five years (6.7 percentage points) than BC as a whole (3.8 percentage points). The CDR is one of four Development Regions in the province that have experienced a decline in overall labour force size (age 25-54) in the past five years. In the CDR, the number of labour force participants with less than a high school education has declined much more rapidly than the overall decline in the provincial labour force, which has contributed to the increase of the percentage share of the labour force with a post-secondary certificate or diploma.

Dependency on the Social Safety Net

In September 2007, the share of the CDR's adult population dependent on Income Assistance and Employment Insurance was 5.1%, down from 5.7% in September 2005. Over that same period, the provincial average declined from 3.7 to 3.3%.[3] During this period, employment opportunities continued to increase and the number of unemployed individuals declined.

2 Statistics Canada, *Estimates of Population, by Sex and Age Group: Census Divisions and Census Metropolitan Areas - 2001 Census boundaries*, Annual, CANSIM, Table 051-0036.

3 BC Stats, Ministry of Labour and Citizen's Services, *Population 19-64 Receiving Basic Income Assistance or Employment Insurance*, February 2008.

Table 1-2: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population Age 19-64, Cariboo Development Region, 2005 to 2007[4]

Regional District	2005	2006	2007
Cariboo	5.3	4.7	4.6
Fraser-Fort George	5.9	5.4	5.5
Development Region Total	5.7	5.1	5.1
British Columbia	3.7	3.3	3.3

Source: BC Stats

The share of the adult population in the Cariboo and the Fraser-Fort George Regional Districts dependent on the social safety net is higher than the British Columbia average. In 2007, 4.6% and 5.5% of the population aged 19-64 in the two Regional Districts were receiving income assistance. These are among the highest rates in the province. Consistently higher-than-provincial average unemployment and the seasonal nature of many jobs in the forest sector are contributing factors. Regional Districts with the lowest share of the adult population receiving income assistance include the Capital (2.5%), Sunshine Coast (2.7%), East Kootenay (2.8%), Squamish-Lillooet (2.9%), and Greater Vancouver (2.9%). [5]

Pre-Tax Income

This analysis uses real pre-tax income per taxfiler (real income) to evaluate the progress of the CDR economy and to compare purchasing power between Development Regions.[6] While the most recent regional income data is only available to 2005, it gives us a picture of how income has changed in the Development Regions in the past, how they rank, and what underlying factors drove these trends. By looking at the factors today (unemployment rate, job creation, etc.), we can make an educated guess about what pre-tax income has done since 2005.

The resulting data indicates that, on a per taxfiler basis, real pre-tax income in the CDR rose by 6.8% between 2002 and 2005, reaching an average of $32,695 (all income is expressed in real 2002 dollars). This growth rate was identical to that of the province as a whole. Within the CDR, the Fraser-Fort George Regional District experienced a slightly higher rise in real income than the Cariboo Regional District. By 2005, average real income per taxfiler in the CDR was as follows:

- Cariboo Regional District—$29,211
- Fraser-Fort George Regional District—$35,081

When comparing the Development Regions, the Northeast Development Region led the rest of the province in terms of real pre-tax income per taxfiler growth at 15.6% between 2002 and 2005 (reaching $38,368 per taxfiler). The Thompson-Okanagan Development Region ranked second with a growth rate of 8.3% over the same period (reaching $30,842 in 2005). Of the eight BC Development Regions, the CDR ranked fourth in terms of growth and average income, while the North Coast Development Region experienced the slowest growth.

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4 Rates are as of September for each year.
5 BC Stats, Ministry of Labour and Citizen's Services, *Population 19-64 Receiving Basic Income Assistance or Employment Insurance*, February 2008.
6 Pre-tax income is deflated by the Consumer Price Index, with a base year of 2002. In previous editions, we have used real income per capita as an indicator; however, the recent release of census population figures has shown that, in some cases, population estimates made by statistical agencies between census years significantly diverge from census counts. Therefore, we have used the number of taxfilers as the denominator in this edition of the report, as it is more accurate. Data source: BC Stats, *British Columbia Neighbourhood Income Demographics*. See the glossary at the end of this report for definitions of "pre-tax income" and "taxfiler."

Table 1-3: Real Pre-Tax Income per Taxfiler (2002$), Cariboo Development Region, 2002 to 2005

					Percentage Change	
Region	2002	2003	2004	2005	3-Year 2002-05	1-Year 2004-05
Cariboo DR	$30,611	$30,809	$31,539	$32,695	+6.8%	+3.7%
British Columbia	**$31,292**	**$31,400**	**$32,323**	**$33,430**	**+6.8%**	**+3.4%**

Source: BC Stats, *British Columbia Neighbourhood Income Demographics*

In BC, nominal pre-tax income per taxfiler increased between 2002 and 2005, as economic activity continued to grow, and output and employment in higher-paying sectors (such as construction and manufacturing) grew. This period also saw declining unemployment rates and less reliance on government income transfers, as more economic activity absorbed unemployed workers. Overall employment in the CDR, driven primarily by forest sector activities, rose between 2002 and 2005. Consequently, employment income, which accounts for over three quarters of the Development Region's total income,[7] climbed. By 2005, real average employment income per taxfiler in the CDR ranked third in the province, after the Northeast and Mainland/Southwest Development Regions.

In 2007, overall employment in the CDR was up over 2006. Noticeably, there has been a steady increase in the higher-wage goods-producing sector over the past two years—a reversal of the downward trend experienced in 2004 and 2005. Conversely, the service-producing sector has been relatively flat, allowing the goods-producing sector to increase its overall share of regional employment. This, along with recent declines in both the unemployment rate and social safety net dependence, may point to an increase in aggregate pre-tax earnings in the CDR in 2006 and 2007.

WORK Indicators

Job Creation

In 2007, employment growth continued in the CDR, reflecting a provincewide trend. However, between 2006 and 2007, the economy of the CDR created only 900 new jobs. Growth was concentrated in the goods-producing sector, which expanded by 2,100 jobs in 2007, but was offset by the service-producing sector, which lost 1,200 jobs. Employment gains in 2006-2007 were distributed across several industries, including: forestry, fishing, mining and oil and gas; manufacturing; transportation and warehousing; and health care and social assistance. Overall, this continues an upward employment trend, as the rate of job creation was 3.5% in 2005-2006, and 1.1% in 2006-2007.

In 2007, the CDR's labour force was estimated at 83,800, with the **service-producing sector** contributing 56,600 jobs, and the **goods-producing sector** contributing 27,200 jobs.

7 BC Stats, *Labour Force Income Profile 2004*, May 2006.

Table 1-4: Employment, Cariboo Development Region, 2002 to 2007[8]

	2002	2003	2004	2005	2006	2007	Job Creation (000) 5-Year 2002-07	Job Creation (000) 1-Year 2006-07
TOTAL EMPLOYMENT (000)	**78.0**	**78.2**	**80.7**	**80.1**	**82.9**	**83.8**	**5.8**	**0.9**
Goods-Producing Sector (000)	**25.4**	**26.8**	**26.5**	**23.7**	**25.1**	**27.2**	**1.8**	**2.1**
Agriculture	-	-	1.5	1.7	-	2.8	-	-
Forestry, fishing, mining, oil and gas	5.3	6.1	5.1	5.1	4.6	5.5	0.2	0.9
Utilities	-	-	-	-	-	-	-	-
Construction	4.9	4.9	4.1	6.2	4.8	4.4	-0.5	-0.4
Manufacturing	13.6	14.4	15.6	10.4	14.2	14.4	0.8	0.2
Services-Producing Sector (000)	**52.6**	**51.4**	**54.1**	**56.4**	**57.8**	**56.6**	**4.0**	**-1.2**
Trade	12.3	11.4	12.5	10.7	13.2	13.3	1.0	0.1
Transportation & warehousing	4.9	5.2	5.8	3.7	4.9	6.5	1.6	1.6
Finance, insurance, real estate & leasing	1.9	2.2	2.9	3.8	3.0	2.6	0.7	-0.4
Professional, scientific & technical services	2.7	2.5	2.8	3.0	3.6	2.9	0.2	-0.7
Business, building & other support services	1.7	2.5	1.9	2.4	2.3	2.3	0.6	0.0
Educational services	5.2	4.9	4.3	5.6	5.7	5.2	0.0	-0.5
Health care & social assistance	8.6	7.1	6.3	10	8.9	9.4	0.8	0.5
Information, culture & recreation	2.5	2.9	3.0	2.8	2.8	2.2	-0.3	-0.6
Accommodation & food services	6.0	5.8	7.5	6.8	7.4	6.0	0.0	-1.4
Other services	3.6	3.0	3.4	4.6	2.7	3.2	-0.4	0.5
Public administration	3.1	4.1	3.7	3.0	3.4	3.1	0.0	-0.3

Source: Statistics Canada, *Labour Force Survey Historical Review*

Between 2002 and 2007, an estimated 5,800 new jobs were created in the CDR. Despite recent setbacks in the **service-producing sector**, this sector added 4,000 jobs during the same five-year period, signifying a growth rate of 4%. Overall, this expansion was led by job growth in the trade and transportation and warehousing sectors, which collectively added 2,600 new jobs.

The opening of the container port in Prince Rupert and its link with CN's intermodel service in Prince George in 2007 marked an historic milestone for transportation and warehousing in the CDR. Local businesses saw immediate benefits to their business activities in the Asian markets. In addition, the CDR's Prince George airport saw passenger numbers rise by 13.4% in 2007, reaching the airport's highest levels to date. This increased passenger activity will be joined by increased air cargo activity with the 2008 opening of an expanded runway in Prince George that will target trans-Pacific air cargo. Overall, this creates a positive position for future job growth in the transportation and warehousing sectors.

8 Industries with 0.0 are estimated to have fewer 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.

The CDR's **goods-producing sector** grew by 1,800 jobs between 2002 and 2007, a relatively modest growth rate of 1.8%. Manufacturing, forestry and fishing, and mining and oil and gas led growth in the goods-producing sector over the past five years. However, while the goods-producing sector did grow over the past five years, recent events suggest that the region's forest industry is entering a very challenging period.

In 2007, there were numerous permanent and temporary sawmill closures throughout the region, as the forest industry's profitability began slipping due to the rise in the Canadian dollar, the impact of the pine beetle epidemic, and a decline in construction activity in the US housing market. Permanent job losses in the forest sector hit the District of Mackenzie particularly hard, with the closure of one Canfor sawmill, and the indefinite closure of two sawmills and a newsprint mill at AbtitibiBowater. There were also numerous temporary mill closures throughout the region.

Unemployment Rate

Unemployment rates in BC and the CDR in 2007 declined for the fifth consecutive year, and reached the lowest unemployment rates in over three decades. The unemployment rate in the CDR declined to 5.1% in 2007, a 1 percentage point reduction from the previous year.

Table 1-5: Unemployment Rate (%), Cariboo Development Region, 2002 to 2007

							Percentage Point (ppt) Change	
Region	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**5-Year 2002-07**	**5-Year 2006-07**
Cariboo DR	12.7%	11.1%	9.1%	7.4%	6.1%	5.1%	-7.6 ppt	-1.0 ppt
British Columbia	**8.5%**	**8.0%**	**7.2%**	**5.9%**	**4.8%**	**4.2%**	**-4.3 ppt**	**-0.6 ppt**

Source: Statistics Canada

BC's labour force participation rate rose steadily from 64% in 2001 to 66.3% in 2007.[9] In the CDR, labour force participation rose from 67.7% in 2001 to 70.6% in 2007. This 2007 participation rate of 70.6% marks the highest participation level in the CDR since 1998, and marks the fifth consecutive year in which participation rates have increased in the region.

9 Statistics Canada, *Labour Force Survey.*

INVEST Indicators

Business and Investment Activity

In 2007, reduced manufacturing shipments and exports signified the early stages of an economic slowdown and may impact future business investment decisions if shipment declines continue; however, investment in BC and the CDR increased for the fourth year in a row. Major investments in transportation infrastructure continued (the Cariboo Connector—Highway 97 Improvements and Prince George Airport expansion, for example), but these were eclipsed by the magnitude of private sector investment in residential, commercial, and industrial projects. In the last quarter of December 2007, at least 26 of the 36 major projects proposed, on hold, or underway in the CDR were private sector projects[10]; altogether, total estimated capital investment was $5.9 billion.[11]

Between October and December 2007, four new projects (three public sector, one private sector) were proposed for the CDR with a value of $526 million. Projects that started construction during the same period (two public sector, one private sector) were valued at $83 million. Of concern for the region, however, is the rapidly rising value of projects that are on hold. In June of 2007, projects on hold were valued at $340 million; by December 2007, this had risen to $533 million. The increase is attributed to Northgate Mineral Corporation's decision in November 2007 to cancel its $190 million Kemess North Mine project following a negative recommendation from the BC-Canada Joint Review Panel. This was followed in December 2007 by Graymont's decision to suspend development of its $140-million Prince George-area lime processing facility and quarry due to uncertainties about the province's regulatory approach to greenhouse gases.[12]

BC mineral exploration expenditures rose sharply in 2007 to $416 million (up from $265 million in 2006). This marked the eighth straight annual increase in mineral exploration in the province. In 2007, the CDR was a beneficiary of this growth. In the North Central Interior, which includes most of the CDR, mineral exploration expenditures from 88 projects topped $94 million, signifying a very strong year for the exploration sector in the region, and almost doubling the $46 million spent on mineral exploration in the region in 2006.[13] Mineral exploration expenditures in BC are anticipated to remain strong and reach upwards of $437 million in 2008, and it's expected that the CDR will capitalize on this spending.[14]

Key CDR exports have shown recent signs of weakening. In particular, the value of solid wood product exports declined 22.5% in 2007 from the previous year.[15] This drop continues a decline in the export value of solid wood products that started in 2004. Early indications this year show that the downward slide is getting worse, as solid wood product exports in January 2008 plunged 37.7% from January 2007 totals.[16] Also showing weakness were exports of metallic mineral products, which declined in value by 4.9% between 2007 and 2006, and dropped a further 21.3% in January 2008 compared to January 2007. One of the worst hit metallic minerals was copper ore and concentrates, a key commodity in the CDR, as the Kemess, Gibraltar, and Mount Polley mines are copper producers. This commodity was down a full 58.6% in January 2008 when compared to January 2007.

Pulp and paper was a bright spot in the CDR between 2006 and 2007, with export values rising by 7%. However, this trend appears to have ended abruptly with pulp and paper slumping 14% in January 2008 compared to January 2007.

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10 BC Ministry of Economic Development, *BC Major Projects inventory*, December 2007. Definition of private sector excludes utilities and public services.
11 Ibid.
12 Graymont News Release. December 6, 2007. Giscome Lime Plant and Quarry Project on Hold. Website: www.graymont.com/release_12_06_07.shtml
13 Ministry of Energy, Mines and Petroleum Resources. Website accessed April 10, 2008: http://www.em.gov.bc.ca/Subwebs/mining/Exploration/default.htm.
14 Ministry of Energy, Mines and Petroleum Resources, *Exploration and Mining in British Columbia 2007*, 2008.
15 BC Stats, *Exports (BC Origin) – 1998 to 2007*, April 2008.
16 BC Stats, *Exports – January 2008*, March 2008.

In 2007, total building permit values in the CDR reached $257.4 million; this was up 50.9% from 2006. Residential permits made up the largest share, with $153.8 million of building permit value, or 59.8% of total permit value in 2007. This was followed by commercial building permits worth $53.3 million (20.7% of total permit value), and institutional building permits worth $39.9 million (15.5% of total permit value). Industrial building permits worth $10.4 million rounded out construction value in 2007. Construction activity appears to be continuing its recent upward momentum, as January 2008 saw building permits valued at $9 million. This is up almost threefold over January 2007. Leading the way in January 2008 were commercial building permits, which were valued at $4.4 million, and residential building permits, which registered $4.1 million in activity.

Incorporations and Bankruptcies

Over the 2002 to 2007 period, the number of business incorporations in the CDR increased by 38.6%, a slower rate of increase than the provincial average of 62.2%. After seeing business incorporations rise between 2003 and 2006, 2007 marked the first decline in CDR business incorporations in the past five years.

Table 1-6: Business Incorporations and Bankruptcies, Cariboo Development Region, 2001 to 2006

							Percentage Change	
	2002	2003	2004	2005	2006	2007	5-Year 2002-07	1-Year 2006-07
Business Incorporations	404	344	428	511	601	560	+38.6%	-6.8%
Business Bankruptcies[17]	56	88	56	51	42	35	-37.5%	-16.7%

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

The downward trend in business bankruptcies continues to be encouraging. Since reaching a peak in 2003, bankruptcies have steadily declined in the CDR. The number of bankruptcies in the CDR declined 16.7% between 2006 and 2007 to just 35. Overall, the five-year trends in both incorporations and bankruptcies point to a climate that will continue to be attractive for both investors and entrepreneurs in the CDR, despite the decrease in incorporations in 2007.

Business Establishments

In 2007, the number of business establishments in the CDR declined for the third year in a row. As Table 1-7 indicates, there was a decrease of 633 businesses between 2006 and 2007.[18] The Cariboo and Nechako both saw declines in business establishments (-5.2%) and ranked fifth among the Development Regions. Only the Kootenay and North Coast Development Regions experienced a greater percentage drop in their business establishment counts. All other regions of the province managed positive growth in their establishment counts in 2007.

17 Business bankruptcy data represents the cities of Prince George, Quesnel, and Williams Lake.
18 Statistics Canada, *Business Register*, 2005-2006.

Table 1-7: Number of Business Establishments – all sizes, Cariboo Development Region, 2002 to 2007

Region	2002	2003	2004	2005	2006	2007	Percentage Change 5-Year 2001-06	Percentage Change 1-Year 2005-06
Cariboo DR	12,539	12,654	12,767	12,364	12,171	11,538	-8.0%	-5.2%
British Columbia	**315,277**	**332,418**	**346,316**	**345,227**	**350,444**	**359,314**	**+14.0%**	**+2.5%**

Source: BC Statistics and Statistics Canada (2005, 2006, and 2007)

Over the past five years, the number of business establishments in the CDR *decreased* by 8%, while the provincial average *grew* by 14%. However, moderate-sized businesses (20 to 49 employees) managed to grow in the CDR by 0.4% over the past five years. All other categories declined, led by a 9.3% drop in establishments with 1 to 19 employees.

Conclusions

The CDR remained a good place to live in 2007. Social safety net dependency remained low, maintaining the level achieved in 2006, while unemployment dropped a further percentage point. There were also significant one and five-year gains in real disposable income. The CDR managed a small but positive increase in the size of its labour force, and 2007 marked the third straight year of job growth in the region. Growth was also reflected in the CDR's population, which rose for the third straight year after weathering seven straight years of decline.

The stronger Canadian dollar and the downturn in US housing starts dampened provincial exports in 2007, negatively affecting the CDR; there were several mill closures and temporary mill shutdowns, which took their toll on forest sector employment. Forest companies in the region continue to examine their cost structures in the current market and are also beginning to anticipate the implications of harvest declines that will be associated with the mountain pine beetle epidemic and will result in lower annual allowable cuts in the CDR. As a result, opportunities stemming from the biomass industry are being explored (ie: bio energy, pelletizing etc.).

Overall, the CDR remains heavily dependent on forestry; however, further progress was made in diversifying the regional economy in 2007, with the opening of the container port in Prince Rupert and the linkage to CN's intermodel rail yard in Prince George. Other projects in mining, tourism, and energy are either underway or being explored, and hold the most immediate promise for diversifying the region further.

Business bankruptcies saw a further decline in 2007. Business incorporations grew dramatically over the past five years, but the rate of growth turned negative in 2007, and the number of business establishments in the CDR continued to decline. This may be a sign that some caution is emerging in the marketplace, as exports decline and the US economy continues to slow.

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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.

- **Employment income:** Includes wages and salaries, commissions from employment, training allowances, tips and gratuities, and all income from self-employment (business, professional, farming, fishing income, and commissions).

- **Job creation:** Change in number of employed individuals between two given years.

- **Pre-tax income:** Comprised of labour force income (employment income, wages and salaries, income from self-employment, and employment insurance benefits), pension income, old age security, CPP/QPP, superannuation, family allowance income, interest and other investment income, limited partnership income, rental income, other income (such as alimony and 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: veterans' disability and dependent pensioners' payments, war veterans' allowances, lottery winnings, and capital gains.

- **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.

- **Taxfilers:** Those individuals who have filed a tax return for the reference year, and were alive at the end of the year. Non-filing spouses and non-filing children are not included.

- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.