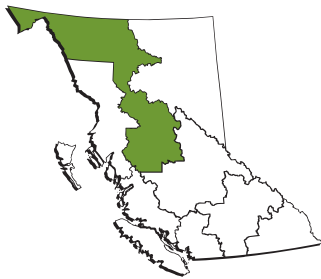




Nechako Development Region



The Nechako Development Region (NDR) comprises the Bulkley-Nechako and Stikine Regional Districts, with a total land area of 205,919 km².

Stretching from the Nechako valley in the south to the Yukon border in the north, the NDR is the largest and least-populated Development Region in British Columbia. The region’s main economic activities are agriculture, forestry, mining, and tourism. Mining is the key economic driver in the north (Stikine), while forestry and agriculture dominate in the south (Bulkley-Nechako). As a result, the NDR is susceptible to the economic cycles of the resource sector. While the urban centres of Smithers and Vanderhoof provide the NDR’s core tourism activities, the lakes, streams, and fishing lodges in the Nechako Plateau also attract many fishermen and boaters.

Between 2002 and 2007, the number of residents in the NDR *decreased* by 3.2%, dropping to 41,869.¹ In contrast, the provincial population grew by 6.4% over the same period. And between 2006 and 2007, the NDR’s population shrank by 1.1%, in contrast with the provincial growth rate of 1.4%.

The Bulkley-Nechako Regional District accounted for 97% of the Development Region’s population in 2007, and it experienced the slowest rate of population decline of the NDR’s two Regional Districts over the past five years (-3%). Population in the Stikine dropped by 10.3% during the same period.



¹ Statistics Canada, *Estimates of Population, by Sex and Age Group: Census Divisions and Census Metropolitan Areas - 2001 Census boundaries*, Annual, CANSIM, Table 051-0036.

Overall, the Nechako economy weakened in 2007 in response to a series of events that took their toll on British Columbia's forest sector: the collapse of the housing market in the US, declining forest product prices,² the new export tax,³ and a strong Canadian dollar. With its high dependency on forestry manufacturing, cutbacks and mill closures in the communities of Fort St. James, Houston, and Burns Lake affected hundreds of workers, as well as logging contractors and related businesses. The start-up of Canfor's new wood pellet production plant in Houston, which sells this bio fuel and coal substitute to world markets,⁴ did little to buffer these losses. In the mining sector, high prices for some minerals continued to spur exploration in the Northwest, with the community of Smithers (the "Mining Centre of the North") reaping much of the benefit. While major project construction in the NDR was minimal in 2007 compared to other BC regions, the value of building permits was up considerably (22.5%) from 2006, due primarily to residential construction.

LIVE Indicators

Educational Achievement

Educational achievement has a significant effect on labour force productivity and, in the longer-term, purchasing power. Statistics Canada aggregates labour force educational attainment data for the North Coast and Nechako Development Regions. Together, these two Development Regions comprise **Northwest British Columbia**.⁵ Between 2002 and 2007, the percentage of the labour force (age 25-54) with a post-secondary certificate/diploma or bachelor's degree declined from 47.7% to 42.8% in Northwest BC. This represents a 4.9 percentage point *drop* in attainment over the past five years, compared to a gain of 3.7 percentage points at the provincial level.

Table 4-1: Percent of Labour Force Age 25-54 With a Post-Secondary Certificate/ Diploma or Bachelor's Degree, Northwest British Columbia, 2002 to 2007⁶

Region	2002	2003	2004	2005	2006	2007	Percentage Point Change	
							5-Year 2002-07	1-Year 2006-07
Northwest BC	47.7%	49.4%	46.4%	43.1%	49.0%	42.8%	-4.9 ppt	-6.2 ppt
British Columbia	50.2%	51.0%	52.0%	52.2%	53.1%	53.9%	+3.7 ppt	+0.8 ppt

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

Most of the deterioration in Northwest BC's educational attainment has occurred at the post-secondary certificate or diploma level; the percentage of the labour force with this designation declined by 5.4 percentage points over the past five years. At the same time, the share of the labour force with a bachelor's degree grew slightly, by 0.5 percentage points. By contrast, British Columbia as a whole experienced a smaller decline at the certificate or diploma level (-0.2 percentage points), and a larger increase in the share of the labour force with a bachelor's degree (3.9 percentage points).



² Lumber prices declined by about 12% in 2007. RBC Economics and Research, *Commodity Price Monitor*, March 2008.
³ Canada entered into the new softwood lumber agreement that set export taxes on lumber when prices fell below a certain level. Source: BC Stats, *Infoline*, Issue 08-03, January 18, 2008.
⁴ Prince Rupert Port Authority, *Prince Rupert Port Cargo Traffic up 37 Per cent in 2007*, News Release, January 16, 2008.
⁵ The Bulkley-Nechako and Stikine Regional Districts are situated in the Nechako Development Region, and the Kitimat-Stikine and Skeena-Queen Charlotte Regional Districts comprise the entire North Coast Development Region.
⁶ Data for the labour force with certification *above the bachelor degree level* has been suppressed for Northwest BC for all years by Statistics Canada, as it falls below 1,500 individuals. Hence, this level of education has been excluded in the calculation of this indicator for Northwest BC.

Examining the employment dynamics of the past five years yields several clues as to why educational attainment rates have fallen in Northwest BC; since 2002, health care and social assistance, educational services, and public administration have accounted for the majority of the region’s job loss, and these are industries that generally demand post-secondary credentials.⁷

The most recent census data provides a snapshot of educational attainment by Regional District within Northwest BC. Educational attainment above the certificate/diploma level of the population aged 25 to 64 is similar in the Bulkley-Nechako and Skeena-Queen Charlotte Regional Districts (46.5% and 47.6%, respectively), while attainment in the Kitimat-Stikine is slightly higher (49.6%). Residents of the sparsely-populated Stikine Regional District have the highest levels of education in Northwest BC (62%), which is comparable to the British Columbia average.⁸

Dependency on the Social Safety Net

Between 2005 and 2006, the number of unemployed individuals in the region⁹ declined, with many leaving the area in search of prospects elsewhere. Accordingly, the need for the social safety net declined from 5.1% to 4.6% in the NDR. These rates did not change appreciably between 2006 and 2007, as social safety net dependence is measured in September, and, although employment declined in 2007, most of the job loss occurred in the last quarter.¹⁰ Since September 2007, the number of unemployed individuals in Northwest BC has climbed considerably.¹¹ Social safety net dependency did not alter for British Columbia as a whole in 2006 and 2007, with dependency rates settling at 3.3%.

Table 4-2: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population Age 19-64 Nechako Development Region, 2005 to 2007¹²

Region	2005	2006	2007
Bulkley-Nechako	5.1	4.7	4.5
Stikine	-	-	3.4
Development Region Total	5.1	4.6	4.5
British Columbia	3.7	3.3	3.3

Source: BC Stats. Note: BC Stats is currently revising these numbers.

The Bulkley-Nechako Regional District had the highest dependency in the NDR in 2007, and was higher than the provincial average. By contrast, 3.4% of the population age 19-64 in the Stikine were receiving income assistance or employment insurance. The highest rates of dependency in the province were in the North Coast (6.7%) and Cariboo (5.1%) Development Regions.



7 In total, 3,400 jobs were lost over this period, a 7.6% drop in employment. Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 33AN.
 8 Statistics Canada, *Census 2006 Community Profiles*.
 9 Northwest British Columbia, which includes the North Coast and Nechako Development Regions.
 10 Statistics Canada, *Historical Labour Force Survey*, CD1, Table 33MN.
 11 From 3,200 in September to 4,100 in December. Source: Statistics Canada, *Historical Labour Force Survey*, CD1, Table 30MN.
 12 “These figures include only a subset of those receiving Income Assistance. INCLUDED are those on Temporary Assistance. EXCLUDED are those on Continuous Assistance (disabled or with persistent multiple barriers to employment), Children in the Home of a Relative, OAS/Seniors, and aboriginal people living on reserve.”

Pre-Tax Income

This analysis uses real pre-tax income per taxfiler (real income) as a metric for comparing purchasing power between the Development Regions.¹³ While the most recent regional income data is only available to 2005, it does give us a picture of how income levels have changed in the Development Regions in the past, and how they compare. By looking at existing economic conditions, we can make an educated guess about how real income has changed since 2005.

Between 2002 and 2005, real income in the Nechako Development Region rose by 7.4%, reaching an average of \$31,073 per taxfiler—a growth rate that surpassed that of the province as a whole (6.8%). By 2005, average real income per taxfiler in the NDR was as follows:¹⁴

- Bulkley-Nechako Regional District—\$31,218
- Stikine Regional District—\$25,539

When compared with the other Development Regions, the Northeast Development Region led the rest of the province in real income growth, at 15.6% between 2002 and 2005 (reaching \$38,368), while the Thompson-Okanagan ranked second with a growth rate of 8.3% (reaching \$30,842). The NDR ranked third in terms of real income growth, and fifth with respect to average income, although residents of the Stikine Regional District had the lowest real income in BC—nearly \$8,000 below the provincial average.

Table 4-3: Real Pre-Tax Income per Taxfiler (2002\$), Nechako Development Region, 2002 to 2005

Region	2002	2003	2004	2005	Percentage Change	
					3-Year 2002-05	1-Year 2004-05
Nechako DR	\$28,932	\$29,279	\$29,541	\$31,073	+7.4%	+5.2%
British Columbia	\$31,292	\$31,400	\$32,323	\$33,430	+6.8%	+3.4%

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

Both of the NDR's Regional Districts saw significant gains in *nominal* pre-tax income per taxfiler between 2002 and 2005,¹⁵ which means that income growth outstripped population growth. These are very encouraging results. Although job creation in the NDR during this period was considerably lower than in the province as a whole, the region's unemployment rate dropped drastically, and dependency on the social safety net declined. Logging and milling continued to provide stable employment between 2002 and 2005 and, provincially, lumber and wood product prices rose and demand from the United States was strong.¹⁶ Unfortunately, the fortunes of the forest product industry have reversed since that time.

The underlying factors that stimulated real income growth in the Nechako Development Region between 2002 and 2005 have changed. A 10% reduction in jobs¹⁷ since 2005 has driven some jobless individuals out of the region to pursue opportunities elsewhere.



¹³ 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 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."

¹⁴ 2002 \$
¹⁵ Income not allowing for inflationary effects.

¹⁶ Investment Dealers Association of Canada, *Provincial Perspectives British Columbia*, March 2005.

¹⁷ Applies to Northwest British Columbia, which includes the Nechako and North Coast Development Regions. Source: Statistics Canada, *Historical Labour Force Survey*, CD1 Table 33AN.

As a result of this out-migration, the unemployment rate remained fairly stable, and dependence on transfer payments diminished. Given these developments, it is reasonable to expect that real income growth in the NDR in 2006 and 2007 fell below the provincial rate.

WORK Indicators

Job Creation

Statistics Canada aggregates employment data for the North Coast and Nechako Development Regions (**Northwest British Columbia**). Census 2006 labour force data shows that the bulk of labour market activity in this region was shared fairly equally between the Bulkley-Nechako (40.5%) and Kitimat-Stikine Regional Districts (37.3%). The Skeena-Queen Charlotte Regional District contributed to about 20% of the labour market activity. The labour market in Northwest BC faltered in 2007 for the second straight year, in contrast to healthy job creation in the province as a whole. Between 2006 and 2007, the region lost 1,600 jobs, with approximately three quarters of those losses occurring in the service sector. However, the rate of overall job decline in Northwest BC was slower than in the previous year—a 3.7% decline compared to 5.7% in 2005-2006. Nevertheless, employment reached its lowest level of the past decade in 2007.

The **services-producing sector** of Northwest BC spans many occupations and accounted for 28,000 jobs in 2007. Between 2002 and 2007, 3,100 jobs were lost in this sector, with 1,200 of those losses occurring in the past year alone. The following industries posted the biggest losses in 2007:

- Educational Services (1,500 jobs): This tremendous drop from 2006 (37%) is difficult to explain.¹⁸ While the seven school districts within Northwest BC experienced a decline in enrolment in the past year and a corresponding loss of educator and administrator jobs, these jobs accounted for only a small portion of the job loss reported in this industry.¹⁹
- Transportation and Warehousing (1,100 jobs): Monthly employment data shows that job loss in this industry was ongoing throughout 2007. Although shipments through the Prince Rupert Terminal increased by 37%²⁰ and kept parts of the transportation and warehousing industry engaged, negative developments in the forest industry undeniably had an adverse effect on transportation and warehousing throughout the latter half of the year, with some mill closures occurring by the end of 2007.²¹
- Health Care and Social Assistance (700 jobs): Job losses in this industry were likely related to continuing population declines in both the Nechako and North Coast Development Regions.



¹⁸ The reported employment drop may be an anomaly as a result of the sampling methodology used to estimate Labour Force Survey data.
¹⁹ Educator and administration job loss in the seven school districts within Northwest BC totalled 39 between 2006/07 and 2007/08. Source: Ministry of Education, *Teacher Statistics*, January 2008.
²⁰ Prince Rupert Port Authority, *Prince Rupert Port Cargo Traffic up 37 Percent in 2007*, January 16, 2008.
²¹ Central Interior Logging Association, *FACTSFAX*, Issue #434, November 5, 2007.

Table 4-4: Employment, Northwest British Columbia, 2002 to 2007^{22 23}

	2002	2003	2004	2005	2006	2007	Job Creation (000)	
							5-Year 2002-07	1-Year 2006-07
TOTAL EMPLOYMENT (000)	44.9	44.8	42.4	45.7	43.1	41.5	-3.4	-1.6
Goods-Producing Sector (000)	13.8	14.4	13.9	15.0	13.9	13.6	-0.2	-0.3
Agriculture	-	-	-	2.5	-	-	-	-
Forestry, fishing, mining, oil and gas	3.7	4.0	2.9	3.0	3.1	2.8	-0.9	-0.3
Utilities	-	-	-	-	-	-	-	-
Construction	2.6	2.2	1.9	1.8	3.0	2.2	-0.4	-0.8
Manufacturing	7.1	7.2	8.4	7.6	6.3	7.1	0.0	0.8
Services-Producing Sector (000)	31.1	30.4	28.5	30.7	29.2	28.0	-3.1	-1.2
Trade	6.0	5.9	4.7	7.7	5.8	7.0	1.0	1.2
Transportation & warehousing	3.0	2.7	2.2	3.2	4.1	3.0	0.0	-1.1
Finance, insurance, real estate & leasing	-	-	1.7	1.7	-	-	-	-
Professional, scientific & technical services	-	1.5	1.5	1.5	1.9	1.5	-	-0.4
Business, building & other support services	-	-	1.5	-	-	1.7	-	-
Educational services	3.5	4.2	3.3	2.9	4.1	2.6	-0.9	-1.5
Health care & social assistance	5.0	4.9	4.6	3.9	4.4	3.7	-1.3	-0.7
Information, culture & recreation	-	-	1.5	1.7	-	-	-	-
Accommodation & food services	3.6	3.1	3.4	3.0	2.4	3.0	-0.6	0.6
Other services	1.7	1.9	1.8	2.3	-	-	-	-
Public administration	3.0	2.6	2.3	1.5	-	2.1	-0.9	-

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

Despite overall job loss in the service-producing sector in 2007, employment gains occurred in two industries: trade (1,200 jobs), and accommodation and food services (600 jobs). Both industries rebounded in 2007 in response to increased mineral exploration activity in Northwest BC,²⁴ the restoration of a full-capacity, permanent ferry service for North Coast Development Region communities,²⁵ and a tremendous increase in cruise ship passenger volume through the Port of Prince Rupert.²⁶ The most recent statistics show that room revenues rose dramatically for both the Nechako and North Coast Development Regions during 2007 (up 19% and 29%, respectively).²⁷

Northwest BC's **goods-producing sector** declined for the second straight year in 2007, pulling employment in this sector down to its lowest level of the past decade. Between 2002 and 2007, a net loss of 200 jobs occurred in goods-producing industries.



22 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.

23 In the smaller Development Regions, the sample size for Statistics Canada's *Labour Force Survey* is small. Moreover, the survey sample is rotated from year to year, which can affect estimates of the labour force size and structure. As a result, employment estimates in some sectors are not necessarily robust and, in a few cases, we have been unable to reconcile the 2006-2007 job creation numbers with what is actually happening in that labour market. These cases are cited where they occur.

24 \$170.2 million and 144 projects in 2007, comprising 40.9% of BC's exploration expenditures. Source: Ministry of Energy, Mines & Petroleum Resources, *British Columbia Mines & Mineral Exploration Overview 2007*.

25 It is likely that the sinking of the Queen of the North Ferry in March of 2006 adversely impacted employment in the accommodation and food services industries in 2006, particularly since the replacement ferry was not in place until peak season, and its capacity was smaller.

26 Cruise ship passenger volume was up 56% over 2006, a record year with nearly 100,000 cruise ship passengers calling into Prince Rupert. Prince Rupert Port Authority, *Prince Rupert Port Cargo Traffic up 37 Percent in 2007*, News Release, January 16, 2008.

27 In comparison, room revenue was up for the province as a whole by 8% in 2007. Source: BC Stats, *Tourism Sector Monitor – Data Tables*, March 2008.

Manufacturing was the only industry in the goods-producing sector to post a gain in 2007 (800 jobs). Monthly employment data provides a clearer picture of the employment dynamics and corroborates industry findings. Employment climbed in the region through the summer of 2007, reaching a high of 8,700 in July and August. By the end of the year, shift reductions and mill closures in both the Nechako and North Coast reduced employment in this industry dramatically, down to 5,400 jobs by December 2007²⁸—far below industry employment levels in the past ten years.

Statistics Canada data shows that the construction industry in Northwest BC lost workers in 2007 (800 jobs). This is due partly to the fact that late in the year the Galore Creek Project came to a halt, and a major phase of the Prince Rupert port development wound down. Nevertheless, in our view this does not entirely account for such a large estimate of job losses in the Northwest, and it may be that the estimate is overstated.²⁹

The forestry, fishing, and mining industry also posted a decline in 2007 (300 jobs). Similarly, the most recent data for British Columbia as a whole shows that exports for all three of these commodities declined in 2007—by 18.4%, 8.4%, and 4.9% respectively.³⁰

Unemployment Rate

The unemployment rate in British Columbia declined for the fifth consecutive year in 2007. In Northwest BC, however, the unemployment rate actually *rose* to 8%, a 1.3 percentage point *increase* from the previous year. Given the persistent job losses in Northwest BC over the past two years, an increase in the unemployment rate is no surprise; at nearly double the provincial average, this region has the highest rate of unemployment in the province. Nevertheless, the 2007 rate is still a 4.6 percentage point reduction from 2002.

Poor labour market conditions over the past five years led some individuals to seek employment opportunities in other regions or provinces, thus reducing the participation rate³¹ in Northwest BC from 71.5% in 2002 to 68.2% in 2007. Interestingly, 68.2% is still higher than the provincial participation rate, which rose steadily from 65.1% to 66.3% over the same period.³²

Table 4-5: Unemployment Rate (%), Northwest British Columbia, 2002 to 2007

Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Northwest BC	12.6%	11.3%	11.6%	8.1%	6.7%	8.0%	-4.6 ppt	+1.3 ppt
British Columbia	8.5%	8.0%	7.2%	5.9%	4.8%	4.2%	-4.3 ppt	-0.6 ppt

Source: Statistics Canada



²⁸ Statistics Canada, *Historical Labour Force Survey*, CD1, Table 33MN.

²⁹ Each year, the Stats Can Labour Force Survey department conducts a rotating survey of industries at the Development Region level in order to produce employment estimates. This can result in occasional error in areas with smaller populations like Northwest BC.

³⁰ BC Stats, *Exports (BC Origin)—1998-2007*, March 2008.

³¹ The percentage of the working age population who are working or seeking work.

³² Statistics Canada, *Historical Labour Force Survey*, CD1, Table 30AN.

What is happening with young workers? Table 4-6 shows that the unemployment rate for workers age 19 to 24 years in Northwest BC followed a similar trend to that of the entire working population between 2002 and 2007. In the past year, the youth unemployment rate *increased* by 1.2 percentage points, but it was still 5.8 percentage points below the rate in 2002. The unemployment rate for youth in Northwest BC continues to be significantly higher than that of the general population (12.5% and 8%, respectively, in 2007). Experienced workers are more in demand than youth who have not yet had the opportunity to develop their skills or complete their education. Detailed Labour Force Survey data reveals that the youth labour force in the North Coast Development Region shrunk by 40% between 2002 and 2007—conversely, the youth labour force in the Nechako increased by 42% over the same period.³³

Table 4-6: Youth (19 to 24 years) Unemployment Rate, Northwest British Columbia, 2002 to 2007

Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Nechako DR	*17.8%	*20.8%	*22.7%	*11.1%	*11.3%	*12.5%	-5.3 ppt	+1.2 ppt
British Columbia	12.2%	11.4%	10.5%	8.5%	6.4%	6.0%	-6.2 ppt	-0.4 ppt

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

* Unemployment rate calculated by author for these years.

INVEST Indicators

Business and Investment Activity

Investment in British Columbia continued to climb for the fourth year in a row in 2007, despite some early signs of an economic slowdown: reduced manufacturing shipments and exports, and a troubled forest industry. Major project construction in the NDR, however, has been flat since 2005.

In the last quarter of 2007, all nine major projects proposed or underway in the NDR were private sector developments.³⁴ Of these, five were related to the development of mines. One project, the \$150-million Tulsequah Chief Mine south of Atlin in the Stikine, was on hold due to permitting delays.³⁵ Altogether, the total estimated capital cost of all major projects in the NDR as of December 2007 was \$887 million.³⁶

Canfor's Pellet Plant and Bark Burning Energy System was completed in the last quarter of 2007. There were no other projects under construction. Estimated capital costs for new projects *proposed* as of December 2007 totalled \$682 million. These included: the proposed Morrison Copper-Gold Mine (\$200 million); Ainsworth Lumber's proposed lumber mills (\$200 million); and Alcan's Aluminum cold water release facility at Kenney Dam (\$100 million).



³³ Statistics Canada, *Historical Labour Force Survey*, Custom Table, 2008.

³⁴ Definition of private sector excludes some utilities and public services. The Province of BC, however, is involved with Alcan Aluminum in the Kenney Dam Cold Water Release Facility. Source: BC Ministry of Economic Development, *BC Major Projects Inventory*, December 2007.

³⁵ Redcorp Ventures Ltd., *Tulsequah Chief Mine Update*, February 13, 2008.

³⁶ BC Ministry of Economic Development, *BC Major Projects Inventory*, December 2007.

Projects slated for construction in 2008 are two more pellet plants (in Fraser Lake and Vanderhoof) that propose to ship their product via Prince Rupert to Europe, and two mines, the Tulsequah Chief plant (in the Stikine) and the Morrison Copper-Gold plant near Granisle. To sum up, major project investment in the NDR was negligible in 2007. Nevertheless, future investments are expected to create jobs and opportunities for local businesses throughout the Development Region.

Incorporations

Business incorporations in the NDR dipped slightly in 2007. Between 2006 and 2007, the number of incorporations fell by 4.4%, down to 131. To put this in perspective, however, 131 is still the highest number of annual incorporations the NDR has seen in the past decade (aside from 2006). Growth over the past five years has been substantial, resulting in a 57.8% increase since 2002.

Table 4-7: Business Incorporations, Nechako Development Region, 2002 to 2007

	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
Business Incorporations	83	99	110	108	137	131	+57.8%	-4.4%

Source: BC Stats

The overall rising trend in incorporations in the last two years signifies strong ongoing investor and entrepreneurial confidence—possibly inspired by the intensification of exploration and mining development, as well as new opportunities such as pellet plants, which make use of beetle-ravaged pine.

Business Establishments

2007 marked the fourth year of decline in the number of business establishments in the NDR, with the total number of establishments dropping 5.2%, down to 3,519. By comparison, the province as a whole achieved a growth rate of 2.5%. Over the past five years, the number of business establishments in the NDR declined by 8.4%.

Table 4-8: Number of Business Establishments – All sizes, Nechako Development Region, 2002 to 2007

Region	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
Nechako DR	3,841	3,915	3,894	3,766	3,712	3,519	-8.4%	-5.2%
British Columbia	315,277	332,418	346,316	345,227	350,444	359,314	+14.0%	+2.5%

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

Companies with fewer than 20 employees accounted for the majority of the reduction in the number of NDR establishments between 2006 and 2007, as the number of large establishments (50+ employees) actually increased slightly. Between 2002 and 2007, the number of businesses in the NDR with fewer than 20 employees has declined by more than 300.

An unsettled wood products sector undoubtedly contributed to these falling numbers.³⁷ Business formation in the Nechako Development Region is extremely sensitive to the economic cycles of the resource sector; in 2006, for example, nearly 24% of NDR businesses were based in the agriculture, forestry, and fishing industry, compared to 5% at the provincial level.³⁸ While most regions of the province saw declines in secondary manufacturing small-business establishments between 2001 and 2006, the North Coast and Nechako Development Regions suffered the highest rates of decline.³⁹

Conclusions

With its strong dependency on the resource sector, the Nechako Development Region did not weather the storm in the forest industry well in 2007. Instead, the events of the past year resulted in lumber mill closures in late 2007 and early 2008, and are currently threatening several small communities that are highly dependent on the forest industry. Our indicators, however, show that there were some positive signs for the NDR as a place to live in 2007.

The decline in the educational attainment of the labour force over the past five years is a concern, reflecting a loss of skills and qualifications in the regional labour market. In addition, social safety net dependency was higher in the NDR than in the province as a whole, although it did decline in the past three years. On the positive side, real disposable income showed significant one and three-year gains. Work and invest indicators did not produce the same solid results in the NDR as in the rest of British Columbia in 2007. Job creation faltered for the second year running, with significant losses reported in educational services, transportation and warehousing, construction, and health care and social assistance.⁴⁰ Some industries, however, saw employment gains: trade, and accommodations and food services. While the net result was an increase in the unemployment rate, this rate was still 4.6 percentage points lower than the 2002 rate. Business incorporations grew dramatically during the past five years, but growth slowed slightly in 2007, signifying some investor/entrepreneurial caution. The number of business establishments continued to fall as the result of troubles in the forest industry and continued out-migration. Although there has been no new major project activity in the NDR since 2006, proposed investments beginning in 2008 are expected to create jobs, as well as opportunities for local businesses throughout the Development Region.

Unfortunately, the outlook for the forest industry in 2008 remains gloomy. Lumber prices have already dropped 8.6% since the beginning of the year,⁴¹ and housing starts in the US are not expected to recover any time soon.⁴² However, the recent opening of a new container-handling facility at the Port of Prince Rupert could give Northern BC mills access to new markets in Asia.⁴³ It is hoped that further diversification into wood pellet manufacturing for pine-beetle wood, along with the development of several new mines slated for 2008, will provide opportunities for some displaced workers. In the long term, however, the region will need to diversify, as its many lumber and specialty mills face future supply issues once pine beetle-infested wood has been harvested.

³⁷ Ministry of Small Business and Revenue, British Columbia: *Small Business Profile 2006*.

³⁸ BC Stats, *Quarterly Regional Statistics*, Fourth Quarter 2007.

³⁹ Ministry of Small Business and Revenue, *Small Business Profile 2007*, October 2007.

⁴⁰ Refers to Northwest BC, which comprises the Nechako and North Coast Development Regions.

⁴¹ Lumber prices declined by about 12% in 2007. RBC Economics and Research, *Commodity Price Monitor*, March 2008.

⁴² BC Stats, *Exports*, Issue 08-01, January 2008.

⁴³ BC Stats, *Infoline*, Issue 08-03, January 18, 2008.

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.