

# NORTHERN DISPATCH

10 JULY 2019

## THE STATE OF FORESTRY IN NORTHERN B.C.


## THE STATE OF FORESTRY IN NORTHERN B.C.

To write that forestry is important to the economy of Northern B.C. would be, well, one heck of an understatement. According to our latest State of the North Economic Report, Northern B.C. is home to 55 per cent of the province's sawmills, 39 per cent of its pulp and paper mills, 79 per cent of its pellet mills and 45 per cent of its veneer, plywood and panel mills. There are more than a dozen municipalities in Northern B.C. where the economy is either totally or somewhat dependent on forestry, and others still where forestry-related activity is a common sight.

But it's not just an employer in our part of the province, is it? It's a fundamental part of who we are. On the coast and in the interior, our Indigenous communities have sustainably harvested forest products for their use for thousands of years. The first industry in many settler communities was forestry. Our towns are home to multiple generations of loggers, sawmillers, pulp mill workers and professional foresters. Some of the longest-standing mills have summer softball leagues and winter hockey teams. We have forestry museums that we showcase to visitors and massive iron equipment that we park at the entrance to our towns to showcase our timber history. We have chainsaw carving championships, loggers' days events, a TV show about log home builders and at least one city whose official mascot is an eight-metre tall faux-log statue that overlooks the most important intersection in Northern B.C. (Mr. PG, we're thinking of you).



**Joel McKay**  
CEO  
Northern  
Development  
Initiative Trust



It's an industry that's a part of our everyday lives and a constant source of conversation. In some places, local radio stations report lumber prices the way big city radio stations report on gas prices – an ever-present reminder of how contingent this industry is on global trends. We don't bat an eye at loaded logging trucks thrumming jake brakes through town, the same way Vancouverites no longer bat an eye at Ferraris screeching down Georgia Street. The words 'shutdown', 'breakup' and 'freeze up' are common vernacular in the north, denoting the ebb and flow of mom or dad's schedules as the industry churns through its seasons. When breakup is done, the tree planters are back – our version of a transient young workforce that fills motels for a few days before disappearing into the northern jungle for a mosquito-filled summer. On those same August weekends, our communities are a bit quieter as families trade the urban for the rural, heading out onto forest service roads – built and maintained by industry – to camp, fish, hike and boat. The safety-conscious veterans of this annual summer ritual bring their radios and 'call up' their kilometres on active logging roads so as not to run afoul of loaded logging trucks trying to make good time on a cycle.

So, we feel it when we hear the words curtailment or closure, reduction or rationalization, epidemic or wildfire. We're used to it, but it doesn't get any easier. The complete collapse of the North Coast forestry sector more than a decade ago left empty mills and concrete pads on the landscape that were ever-present reminders of jobs lost. With recent news of four mills closing in Northern B.C., many others suffering production curtailments, and as many as a dozen closures in the interior over the next decade, we're once again faced with the slow but steady decline of an industry that, in so many ways, underwrites our communities.

What's the economic impact of these recent closures and curtailments? We asked the good folks at MNP, our partners in economic research, to pull some stats. Turn the page if you want a dose of reality as to what this means for Northern B.C.

For this issue of Northern Dispatch, we've decided to focus on the critical importance of forestry to our communities, the challenges the industry faces and the opportunities that exist to innovate in this sector to ensure that it continues to be an important part of our economy and future. We've brought several voices to the tables this time around, from the Council of Forest Industries, which represents our major softwood lumber producers in the province, to Pinnacle Renewable Energy, UNBC and the Canadian Bioeconomy Conference. We've also showcased some of the projects the Trust has funded more recently to support innovation in forestry. We're doing this because, as the leader in economic development in Northern B.C., we think it's essential to showcase not only the data behind our core industries, but also the opportunities each industry has to grow, even in the tough times. We hope you enjoy reading this edition of Northern Dispatch as much as we enjoyed writing it.

## FORESTRY: BY THE NUMBERS

By Joel McKay  
With research from MNP

Forestry remains an integral part of the Northern B.C. economy, accounting for almost half of employment in our goods-producing sector, according to our State of the North Economic Report. To put that in perspective, the goods producing sector in Northern B.C. accounts for 30 per cent of all employment. The region is home to 97 timber processing facilities, ranging from sawmills and pulp mills to pellet plants and veneer and plywood plants. In 2017, more than 25 million cubic metres of timber was harvested in Northern B.C., representing a significant increase over the 19 million cubic metres harvested in 2016.

According to a March 2019 report commissioned by the Council of Forest Industries (COFI) and researched by PWC, forestry remains a cornerstone of the provincial economy, supporting more than 140,000 jobs and generating one in five local jobs in Northern B.C. In the Cariboo region alone, hardest hit by the Mountain Pine Beetle epidemic, forestry accounts for 22 per cent of jobs and remains B.C.'s largest lumber producing region.

But the sector's impact isn't limited to the north. More than 40 per cent of the province's total forest industry jobs are in the Lower Mainland and southwest B.C. region, accounting for 45 per cent of the forest industry's total contribution to provincial GDP. The industry is also highly integrated throughout the province and its different business units. For example, timber logged north of Mackenzie might be processed at a mill in Williams Lake. The residual chips and sawdust might then be shipped to support nearby pellet mills, or even coastal pulp and paper mills. The finished products, dimensional lumber, pulp, paper and pellets are shipped via truck and rail to ports in Vancouver and Prince Rupert and then exported to markets worldwide. To give a sense of how integrated the north and the coast are when it comes to forestry, until recently 25 per cent of coastal pulp mills have sourced their fibre requirements from interior sawmills, according to the PWC report. And although downtown Vancouver might see more Ferraris than logging trucks these days, forestry still has a major footprint in the area. Three of the largest forestry companies in the world, West Fraser Timber, Canfor and Interfor, all have head offices in Vancouver. All three are members of the 'Billion Board Foot Club', which is a list of the top global lumber companies that produce more than one billion board feet of lumber per year. Four of the largest global firms are based in B.C., with Tolko Forest Products, based in Vernon, rounding out the fourth spot. West Fraser, originally founded in Quesnel, remains the largest softwood lumber producer in the world.



**Joel McKay**  
CEO  
Northern  
Development  
Initiative Trust



## NORTHERN B.C.

IS HOME TO

55%

OF THE PROVINCE'S  
SAWMILLS

1/2 OF ALL  
GOODS  
PRODUCING

EMPLOYMENT  
IS FORESTRY-RELATED  
IN NORTHERN B.C.

140,000

JOBS ARE TIED TO THE  
FORESTRY SECTOR  
IN B.C.

1 in 5 JOBS

IN NORTHERN B.C. ARE TIED TO THE  
FORESTRY SECTOR

## SO, YEAH, FORESTRY IS BIG IN B.C.

### BUT WHAT CHALLENGES ARE ON THE HORIZON?

Although sales of manufactured wood and paper products remain strong, both production and employment in the Northern B.C. forest sector was on the decline in 2017 and 2018. In 2017, northern softwood production fell 3 per cent, followed by further decline in the first half of 2018.

Although lumber prices hit record highs in 2018, and strong U.S. housing starts bolstered demand for dimensional lumber, the production drop was primarily due to a decline in timber supply. According to the State of the North report, Allowable Annual Cuts (AAC) have been reduced in a number of areas throughout Northern B.C. in an effort to bring harvest levels back in line with historic norms following increases in the recent past to salvage the value of mountain pine beetle-killed timber. These declines in AAC are expected to continue.

Historic wildfires in the B.C. interior in 2017 and 2018 have had a significant impact on the mid-term timber supply – those trees set aside by the chief forester to support the industry in the next 20 to 60 years. A protection plan for mountain caribou currently under development could remove certain timber harvesting areas from the land base, placing further constraints on an already limited timber supply.

Further exacerbating challenges for the B.C. market are tariffs imposed on exporters in the absence of a softwood lumber agreement with the U.S. Although high demand for forest products combined with timber supply constraints buoyed financial results for forest companies in 2018, those same commodity prices started to come off in 2019 and a number of mills announced reduced production in the latter part of the year to combat poor market conditions and increased log costs. That situation has not improved in 2019.

As of late May, lumber prices had dropped to US\$310 per thousand board feet compared with US\$600 at the same time the year before. In recent public filings, softwood producers cited a projected material increase in B.C. stumpage rates commencing July 1, 2019 as yet another pressure on the industry that will negatively impact operating rates in B.C. Although lumber prices are expected to show a modest increase in the near term thanks to strong demand from the U.S., there remains anticipated weakness in Asian lumber prices due to oversupply, in part related to a significant increase in Russian softwood exports to China that has displaced Canadian product.

Further, the provincial government's new forestry policies were singled out in recent public company filings for having the potential to materially impact the industry, notably with Caribou Protection Plan, and Bill 22, which would require ministerial approval before forest companies transfer timber tenure agreements.

As a result of market conditions, B.C. forest companies have announced curtailments and shutdowns in recent months to combat poor market conditions. Since the spring, companies have announced the closure of mills in Fort St. John, Quesnel and 100 Mile House. Additionally, production curtailments are now commonplace. Market analysts have been quoted in media predicting that as many as a dozen sawmills will close in B.C. in the next decade.

## SO WHAT ARE THE ECONOMIC IMPACTS OF THESE CLOSURES AND CURTAILMENTS? FOR THAT, WE TURNED TO MNP.

According to data gathered by MNP in June, the recently announced lumber mill closures will reduce the Cariboo-Chilcotin/Lillooet's overall regional capacity 25 per cent. On the OSB side, the closures in the Cariboo and the Northeast will reduce the OSB production capacity of those regions 41 per cent and 67 per cent, respectively.

In terms of employment, the mill closures will affect just over 700 direct jobs from Clinton to Fort St. John with an estimated annual payroll loss of \$40 million. Using multipliers published by Statistics Canada, MNP has estimated that for every 100 direct jobs affect, the closures impact approximately 130 jobs at businesses supplying the mills and 85 jobs in other areas of the economy. In sum, the total number of jobs that could be impacted exceeds 2,000.

The production curtailments, although conducted in the interest of sustaining long-term operations, also have their impacts on the regional economy. According to MNP, each week a mill is curtailed it will remove up to \$175,000 from the local economy due to reductions in payroll spending. Suppliers to the mills will also be affected through lower sales. Nine lumber mills and three pulp mills are scheduled for curtailments ranging from two to eight weeks during the summer 2019 period. For a more in-depth look at the data, turn to MNPs report at the back of this issue of Northern Dispatch.

And so how are our major timber companies navigating these challenges? What types of things could support their success and mitigate the impacts on our economy and communities? What innovative practices are being tested in the market that will support improved productivity and long-term sustainability for B.C.'s forest sector?

**4 MILL**  
**CLOSURES**

**DIRECT**  
**JOBS**  
**AFFECTED** **710**

**\$40 MILLION**  
**IN ESTIMATED**  
**ANNUAL**  
**LOST PAYROLL**

**1,500**  
**ESTIMATED INDIRECT**  
**JOBS AFFECTED**

**ESTIMATED**  
**\$175,000**  
**PAYROLL LOSS**  
**PER WEEK, PER MILL**  
**DUE TO CURTAILMENT**



**Susan  
Yurkovich**  
President & CEO  
BC Council of  
Forest Industries

## B.C.'s FOREST SECTOR: FACING CHALLENGES AND CHANGE

By Susan Yurkovich

For that, we've asked a few industry experts to share their stories. First up, Susan Yurkovich with the BC Council of Forest Industries.

Anyone who lives in the B.C. interior knows that we are seeing a critical time in the B.C. forest industry, and the challenges we collectively face have been building for several years. The forest sector in B.C. is facing a perfect storm of conditions with the most critical factor being a reduction in timber supply following the mountain pine beetle devastation and two years of major wildfires.

Industry has been making every effort to access available timber and keep people working but with volatile lumber prices, rising log costs, and diminished availability, many operations are simply uneconomic, which is forcing difficult decisions to close, or curtail, production in order to rebalance mill capacity with available fibre supply. With these decisions, communities and employees are suffering.

We all want more stability, greater predictability and the confidence that once through this crisis, we will have an industry that – while proportionately smaller going forward – is resilient enough, strong enough and competitive enough to withstand market changes and price fluctuations that are out of our control.

Managing through this transition will require a collective effort. We all want good rules to continue to protect the environment. At the same time, we should also advocate for a defined and locked-in commitment to a working forest that guarantees long-term timber supply. With reliable access to timber, and tenure commitments that can be relied upon, industry can make assurances to employees and communities in which they operate.

Communities will need to be supported through this transition. The Province plans to initiate an interior forestry renewal consultation over this summer, providing an opportunity for industry, communities, indigenous groups, businesses and employees, to have a say in how

we move forward. We encourage everyone to engage productively in this dialogue and provide your ideas on how to create the positive conditions for investment in community stability and secure jobs for tomorrow.

Governments and industry have a strong partnership in growing markets for B.C. wood products both domestically and abroad, and we believe that the need for this partnership has never been stronger. We applaud the Premier's April announcement at the COFI Convention that the new St. Paul's Hospital in Vancouver and the modernization of Royal B.C. Museum will be built with wood, and we can do more to encourage the use of wood in public infrastructure, including schools and affordable housing in B.C.

Forestry has long been a foundational industry for British Columbia. A recent PWC study released in April shows that the impact of forestry on B.C.'s economy is profound - generating significant economic activity in every corner of the province including big cities, small towns and Indigenous communities. And in B.C.'s all three interior northern regions, one in five jobs is directly dependent on forestry: Cariboo (22 per cent), Northeast (20 per cent), and North Coast and Nechako (19 per cent).

**WE CAN TURN THE CORNER, AND MAINTAIN A STRONGER INDUSTRY,  
IF WE WORK TOGETHER.**





**Jason Fisher**

Vice President, Fibre  
Pinnacle Renewable  
Energy

## SPOTLIGHT: PINNACLE RENEWABLE ENERGY

By Jason Fisher

The wood pellet industry exists because somebody realized that what was considered “waste” still had value. It grew because there were progressive European governments that realized that we couldn’t continue to rely on fossil fuels to provide electricity if we wanted to reduce the impacts of climate change. Today, new markets are emerging that view wood pellets as a renewable, sustainable and reliable energy source. The projected growth of demand for wood pellets, particularly in Asia, is strong. British Columbia, because of its well-regulated forests, progressive forestry companies and geographic proximity to markets, is well situated to supply pellets to these new markets while continuing to serve our traditional ones.

Pinnacle has been around since 1989. We are now the third largest wood pellet manufacturer in the world, and, along with our partners, operate seven pellet mills and a wholly-owned port in B.C. We are a part of communities as diverse and far-flung as Lavington in the Okanagan to Prince Rupert on the North Coast. Our company directly provides nearly 400 safe, family-supporting jobs and provides spin-off benefits in communities across British Columbia. And we plan to be a part of the B.C. forest products landscape for a long time.

We work with our partners and suppliers, whether they are big corporations, community forests or indigenous communities, to help them meet their utilization goals and create additional income streams from traditional forest activities. We use all sorts of woody biomass, from sawdust to logs. We hire people from diverse backgrounds and give them an opportunity to be a part of the bright future of the forest sector. We know that improving utilization is a significant issue to all communities and all levels of government and, more fundamentally, we know that it is the right thing to do.

You can't have renewable resources without renewal, and that is what we are experiencing in B.C. at a large scale, both in our forests and in the forest sector. In the face of a contracting timber supply we have continued to invest and expand in B.C. because we know that as the timber supply recovers from insect and fire damage, the responsible thing is to increase utilization and reduce waste. While B.C.'s forest and forest sectors will look different tomorrow than they do today (and when have they not?), we will still be there helping British Columbians get the most from our forest resources while providing the world with more sustainable energy choices.

We think the future will involve communities having more control over decisions made regarding local resources, an increased commitment to making good use of the resources we do harvest and ensuring that local benefits, from reduced wildfire risk to employment, result. Sustainability means different things to different people. But, to us, acting sustainably means that we have to make decisions that benefit our people, our communities and our planet, now and in the future.





**Dr. Daniel Weeks**

President  
University of  
Northern BC

# SPOTLIGHT UNBC: INNOVATION IN FORESTRY

By Dr. Daniel Weeks

## RESILIENCY

It's a term that gets used across a wide range of subject areas. And while the forestry sector is finding unique opportunities each day to optimize its practices, the post-secondary sector is also keenly aware of the need to be adaptive to changing or emerging circumstances.

## BIOENERGY USE

You may not be aware, but UNBC is committed to being a leader in renewable energy. We're home to a state-of-the-art biomass gasification system that provides heat to our Prince George campus in the form of hot water distributed through our district heating system. When tied to Canada's first university-owned pellet heating system, we're offsetting more than 85 per cent of our previous fossil fuel consumption, saving us millions of dollars to date. All this from wood products that were once disposed of in massive, polluting beehive burners.

## RESEARCH

UNBC scientists are at the forefront of forest research. One need look no further than the work our faculty and students are performing in the Chun T'oh Whudujut Provincial Park (the Ancient Forest) just east of Prince George. This massive cedar stand, once actually flagged for logging, has since been protected and is providing far greater value as a natural laboratory (for which the Northern Development Initiative Trust provided funding support). The research done there will inform future forestry decisions in British Columbia and around the world.

## BUILDING FOR TOMORROW

In a northern climate, building heating and energy consumption are of far greater concern than may be the case in more southerly pockets of the province. But at UNBC, our buildings are examples of resiliency in action, as the state-of-the-art Wood Innovation Research Lab (WIRL) demonstrates. The WIRL is home to scientists, including a Canada Research Chair, and students in the Master of Engineering in Integrated Wood Design program. These leaders are seeking to discover novel materials and techniques for the next generation of tall wood buildings.



Beyond what's happening inside the building, the structure itself is an engineering marvel. Built to meet stringent Passive House certification, the WIRL set a new standard for air tightness, surpassing the Passive House requirement by nearly a factor of 10. In addition, the wood design contains much less embodied energy – energy consumed during the production of building materials and the construction itself – compared with the steel buildings, and uses far less energy operationally day to day.

### **FACING THE FUTURE**

It's no secret that the forest industry faces challenges in the coming years and decades. But if I've learned one thing since arriving at UNBC more than five years ago, it's that this unique region of the world is home to people with a mindset and a willingness to be resilient, to find new ways, to forge new paths, and to develop solutions locally that can have an impact around the world. UNBC is proud to be a part of that community, and looks forward to facing a stronger shared future with those who call the North home.



NORTHERN DEVELOPMENT'S  
FOREST INNOVATION FUND

SUPPORTED

18 PROJECTS

REPRESENTING

\$692,726

IN TRUST INVESTMENT IN  
FORESTRY INNOVATION  
IN TWO YEARS.

# NORTHERN DEVELOPMENT: SUPPORTING INNOVATION IN FORESTRY

Innovation is everywhere in B.C.'s forestry sector as timber companies, contractors, communities and government find new ways to increase efficiency, productivity and answer market demands with organic products. Through its Forest Innovation Fund and Northern Industries Innovation Fund, Northern Development has invested \$842,000 in the sector over the past four years alone, supporting 22 projects that generate new investment, jobs and activity in Northern B.C.'s forestry sector. Here's a sampling of some of the innovative projects we've played a roll in:

**PROJECT:** Development of UAV Imagery Applications for Wildfire Management

**PARTNER:** LM Forest Resource Solutions

**TRUST INVESTMENT:** \$45,000

**TOTAL PROJECT INVESTMENT:** \$126,667

**SUMMARY:** This project combined the use of high-resolution images, drones to determine the amount of potential fuel in interior forest stands that could potentially contribute to wildfire activity, helping to better identify high risk areas for fire activity.

**PROJECT:** Wood Fibre Supply and Demand Forecast Modeling

**PARTNER:** Industrial Forestry Service Ltd.

**TRUST INVESTMENT:** \$50,000

**TOTAL PROJECT INVESTMENT:** \$140,000

**SUMMARY:** This project involved the acquisition of a proprietary fibre supply forecasting database that would be used to help determine short and long-term viability of existing sawmills, pulp mills and bio-energy plants by balancing each mill's capacity against the supply of fibre in each region of B.C.

**PROJECT:** BIOCOAL AND BIOCARBON INDUSTRIAL TRIALS

**PARTNER:** B.C. BIOCARBON LTD.

**TRUST INVESTMENT:** \$50,000

**TOTAL PROJECT INVESTMENT:** \$324,335

**SUMMARY:** This project involves the use of a patented bio-refining technology to refine and manufacture biocoal, a synthetic coal, from wood-based biomass products and other industrial and consumer waste streams. The goal of the project was to utilize wood waste to generate high value bio-products.

**PROJECT: COMMERCIAL THINNING WITH SPECIALIZED EQUIPMENT**

**PARTNER: LO-BAR LOG TRANSPORT LTD.**

**TRUST INVESTMENT: \$50,000**

**TOTAL PROJECT INVESTMENT: \$718,073**

**SUMMARY:** This project involved the deployment of a new smaller harvester not used in B.C.'s interior previously to selectively remove small trees in existing tree stands to allow larger trees more space, water and nutrients to grow over time, improving their long-term yield.

**PROJECT: ACCELERATE 9-AXLE TRANSPORTATION ROUTE APPROVAL**

**PARTNER: FPINNOVATIONS LTD.**

**TRUST INVESTMENT: \$50,000**

**TOTAL PROJECT INVESTMENT: \$100,000**

**SUMMARY:** The 9-Axle Truck Working Group, comprised of major softwood producers and the provincial government, utilized the funds to accelerate the engineering studies on forest service road bridges to inform analyses and eventual approval so that 9-axle trucks can operate on the roads and bridges. The use of 9-axle trucks reduces round log trucking costs by 10 per cent to 15 per cent.

**PROJECT: WILLOW ENERGY CROP EXPANSION**

**PARTNER: PRT GROWING SERVICES LTD.**

**TRUST INVESTMENT: \$17,000**

**TOTAL PROJECT INVESTMENT: \$34,000**

**SUMMARY:** This project involved an irrigation system to support fast-growing willow crops that could be harvested and used to regenerate energy to offset natural gas-powered heating costs at PRT's seedling nurseries.

**SINCE 2005, THE TRUST HAS INVESTED**

**\$25.2 MILLION**  
IN PROJECTS THAT HAVE  
**STRENGTHENED THE FORESTRY SECTOR**  
IN NORTHERN B.C.

**NORTHERN DEVELOPMENT'S  
NORTHERN INDUSTRIES  
INNOVATION FUND**

**HAS SUPPORTED**

**12 PROJECTS**

**REPRESENTING**

**\$595,486**

**IN INVESTMENT IN A VARIETY  
OF RESOURCE SECTORS,  
INCLUDING  
FOUR FORESTRY  
PROJECTS,  
IN THE PAST YEAR**





**Rob van Adrichem**

Chair  
Canadian  
Bioeconomy  
Conference and  
Exhibition

## FORWARD LOOKING:

### OPPORTUNITIES FOR THE BIOECONOMY IN NORTHERN B.C.

By Rob van Adrichem

### TODAY'S FOREST INDUSTRY IS THE BIOECONOMY

For Northern B.C. communities, the bioeconomy represents a terrific opportunity to continue increasing the value we can realize from our abundant forest resources. This includes renewable energy, advanced wood products, novel biobased materials, and building larger buildings out of wood to superior levels of energy-efficiency.

What exactly is the bioeconomy? It simply involves the sustainable production and use of materials, energy, fuels, chemicals, and industrial and consumer products from renewable biobased resources instead of fossil fuels.

The Canadian Bioeconomy Strategy reports that more than 21 million metric tonnes of raw biomass was transformed into bioproducts in Canada in 2017 alone. Of that total, 60 per cent came from forestry. Total revenues in 2015 surpassed \$4 billion. Worldwide, the market for bioproducts is expected to reach \$1 trillion by 2030.

This represents tremendous opportunity for Northern B.C., where communities are already at the forefront given their local expertise related to forest management, active and engaged community leaders, and manufacturing capacity for advanced wood building products and bioenergy. It has special significance for rural, remote and Indigenous communities, as it uses readily available resources to create local jobs, energy security, and economic development. Further development of the bioeconomy will require strong relationships involving communities, industry, governments, First Nations, researchers and consumers.

### THE 9TH BIENNIAL EDITION OF THE CONFERENCE TAKES PLACE IN PRINCE GEORGE JUNE 10-12, 2020.

**Here are just a few ways Northern B.C. communities can lead the way and leverage the new bioeconomy:**

- **use local wood products in civic facilities**
- **support bioenergy as a way to reduce local consumption of fossil fuels for heating**
- **make the bioeconomy an integral part of local climate action plans and economic development activities**
- **advocate for research and innovation that brings together communities, academia, First Nations, and industry**
- **demonstrate their leadership to senior levels of government**

As communities explore the options, the Canadian Bioeconomy Conference and Exhibition is an unparalleled resource. Held every second year in Prince George, the conference is the largest and longest-running event of its kind in Canada. Since 2004, the conference has brought industry and other community leaders from around the world to the region to share knowledge, build business partnerships, and explore new platforms for economic development and collaboration.



<https://bioeconomyconference.com/>



## ABOUT NORTHERN DISPATCH

As Northern B.C.'s leader in economic development we at Northern Development feel that it's crucial to understand the data behind the decisions that affect the communities we serve. Earlier this year, the State of the North Economic Report revealed that although Northern B.C.'s economy remains largely reliant on the natural resource sector, it's also incredibly complex, nuanced and ever shifting. For that reason, we've created the **'Northern Dispatch'** – short reports that delve into portions of the State of the North in greater detail, adding commentary and context on specific sectors or subjects... and maybe a little mythbusting too.



Our hope is that the Northern Dispatch will provide value to communities, business leaders and stakeholders who share our passion for Northern B.C. We plan to issue two of them this year, each one focusing on a different topic pulled from the State of the North. Here's hoping you have as much fun reading them as we did writing them.



[NORTHERNDEVELOPMENT.BC.CA/NORTHERN-DISPATCH](http://NORTHERNDEVELOPMENT.BC.CA/NORTHERN-DISPATCH)

[NORTHERNDEVELOPMENT.BC.CA/STATE-OF-THE-NORTH](http://NORTHERNDEVELOPMENT.BC.CA/STATE-OF-THE-NORTH)



## Closures

### Capacity Impacts

Table 1 shows the lumber mill closures by region in Northern B.C. The affected mills were:

- West Fraser's Chasm mill
- Tolko's Quesnel mill

In addition to the closures listed here, West Fraser has announced that it will be eliminating the third shift at its 100 Mile House mill in the third quarter of 2019.<sup>1</sup>

**Table 1: Capacity Impacts of Closures at Lumber Mills**

Region	Closures	Capacity Affected (millions of board feet)	Share of Total Regional Capacity
Cariboo-Chilcotin	2	423	25%
Northeast	0	0	0
Other Northern BC	0	0	0
<b>Total</b>	<b>2</b>	<b>423</b>	<b>7%</b>

Source: Ministry of Forests, Lands, Natural Resource Operations and Rural Development, List of Mills Appendix 2017

Table 2 shows the Oriented Strand Board ("OSB") mill closures by region in Northern B.C. The affected mills were:

- Louisiana-Pacific's Peace Valley mill in Fort St John.
- Norbord's mill in 100 Mile House

**Table 2: Capacity Impacts of Closures at OSB Mills**

Region	Closures	Capacity Affected (millions of square feet)	Share of Total Regional Capacity of Veneer, Plywood, OSB and Other Panel Mills
Cariboo-Chilcotin	1	668	41%
Northeast	1	727	67%
Other Northern BC	0	0	0
<b>Total Northern BC</b>	<b>2</b>	<b>1,394</b>	<b>49%</b>

Source: Ministry of Forests, Lands, Natural Resource Operations and Rural Development, List of Mills Appendix 2017

<sup>1</sup> "West Fraser Announces Additional Permanent Production Reductions in British Columbia, June 17, 2019. Available here: <https://www.westfraser.com/investors/news/news-releases/west-fraser-announces-additional-permanent-production-reductions-british-columbia>

## Employment Impacts

Table 3 shows the impact on direct employment and the estimated lost payroll in Northern B.C. as a result of the closures. Estimates of lost payroll were based on the average weekly earnings of employees in wood product manufacturing from Statistics Canada Survey of Employment, Payroll and Hours.

**Table 3: Employment Impacts of Closures**

Region	Direct Employment Affected	Share of Labour Force in Community	Estimated Annual Lost Payroll
<b>Cariboo-Chilcotin</b>			
<b>Lillooet</b>			
Clinton/Chasm	176 <sup>2</sup>	24%	\$10 million
100 Mile House*	194 <sup>2,3</sup>	26%	\$11 million
Quesnel	150 <sup>4</sup>	1%**	\$9 million
<b>Northeast</b>			
Fort St John	190 <sup>5</sup>	2%	\$10 million
<b>Total</b>	<b>710</b>	<b>0.04%</b> (of Northern B.C. labour force)	<b>\$40 million</b>

Source: Labour Force Calculations based on Statistics Canada, Census 2016.

\* Includes elimination of the third shift at West Fraser's 100 Mile House lumber mill.

\*\* Based on labour force in Quesnel Census Agglomeration

The closure of the mills is expected to lead to reductions in hours or layoffs at other businesses as well. The majority of those impacts are expected to occur within the communities where the mills are located. To illustrate the impact of the closures on employment we employed an input-output methodology. Input-output modeling is a widely-used and widely-accepted approach, making it recognizable by many different stakeholders and audiences.

Economic impacts may be estimated at the direct, indirect, and induced levels.

- **Direct impacts** are due to changes to “front end” businesses that would initially receive operating revenue as a direct consequence of the operations and activities of a facility or industry.
- **Indirect impacts** arise from changes in activity for suppliers of the “front end” businesses.
- **Induced impacts** arise from shifts in spending on goods and services as a consequence of changes to the payroll of the directly and indirectly affected businesses.

Using multipliers published by Statistics Canada we estimated that for every 100 direct jobs affected, the closures impact approximately 130 jobs at businesses supplying the mills (indirect impacts) and 85 jobs

<sup>2</sup> “Like a kick to the stomach: West Fraser closing 1 B.C. mill, cutting shifts at another”, CBC News, June 17, 2019. Available here: <https://www.cbc.ca/news/canada/british-columbia/west-fraser-lumber-mill-closure-1.5179345>

<sup>3</sup> “Norbord to indefinitely suspend mill operations in 100 Mile House, BC”. CBC News, June 11, 2019. Available here: <https://www.cbc.ca/news/canada/british-columbia/norbord-100-mile-house-suspends-operations-1.5171734>

<sup>4</sup> “Tolko closing 1 BC sawmill, cutting shifts at another” CBC News, May 11, 2019. Available here: <https://www.cbc.ca/news/canada/british-columbia/toko-sawmill-closed-1.5132438>

<sup>5</sup> “Closure looms for Fort St. John OSB Plant”. Prince George Citizen, June 13, 2019. Available here: <https://www.princegeorgecitizen.com/news/local-news/closure-looms-for-fort-st-john-osb-plant-1.23855210>

(induced impacts) in other areas of the economy. This would translate into the mill closures potentially affecting approximately 2,238 jobs throughout B.C. (Table 4).

**Table 4: Total Employment Impacts**

Region	Direct Employment Affected	Indirect Employment Affected	Induced Employment Affected	Total
<b>Cariboo-Chilcotin Lillooet</b>				
Clinton/Chasm	176 <sup>6</sup>	229	150	555
100 Mile House*	194 <sup>2,7</sup>	252	165	611
Quesnel	150 <sup>8</sup>	195	128	473
<b>Northeast</b>				
Fort St John	190 <sup>9</sup>	247	162	599
<b>Total</b>	<b>710</b>	<b>923</b>	<b>605</b>	<b>2,238</b>

### Temporary Curtailments

In addition to the closures a number of temporary curtailments at lumber and pulp mills have been announced. Table 5 shows the number of affected mills by region. The length of the temporary curtailments range from two to eight weeks.

**Table 5: Announced Temporary Curtailments, 2019**

	Lumber Mills Affected	Pulp Mills
<b>Cariboo-Chilcotin Lillooet</b>	0	0
<b>North-Central</b>	5	2
<b>Northeast</b>	2	1
<b>Northwest</b>	2	0
<b>Total</b>	<b>9</b>	<b>3</b>

Each week a mill is curtailed was estimated to remove up to approximately \$175,000 from the local economy due to reductions in payroll spending.<sup>10</sup> In addition, suppliers to the mills may be affected through lower sales.

<sup>6</sup> “Like a kick to the stomach: West Fraser closing 1 B.C. mill, cutting shifts at another”, CBC News, June 17, 2019. Available here: <https://www.cbc.ca/news/canada/british-columbia/west-fraser-lumber-mill-closure-1.5179345>

<sup>7</sup> “Norbord to indefinitely suspend mill operations in 100 Mile House, BC”. CBC News, June 11, 2019. Available here: <https://www.cbc.ca/news/canada/british-columbia/norbord-100-mile-house-suspends-operations-1.5171734>

<sup>8</sup> “Tolko closing 1 BC sawmill, cutting shifts at another” CBC News, May 11, 2019. Available here: <https://www.cbc.ca/news/canada/british-columbia/toko-sawmill-closed-1.5132438>

<sup>9</sup> “Closure looms for Fort St. John OSB Plant”. Prince George Citizen, June 13, 2019. Available here: <https://www.princegeorgecitizen.com/news/local-news/closure-looms-for-fort-st-john-osb-plant-1.23855210>

<sup>10</sup> Assumes 150 jobs are affected and an average weekly wage of \$1,163. Please note that these estimates assume that affected employees are not paid during the period of the curtailment. However, in some cases employees may receive vacation pay or other forms of compensation.