

# **Community Futures and Choices in the Bulkley Valley**

**A Report Prepared for the Northwest Institute**

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## **INTRODUCTION**

For a number of years, the people who live and work in the Bulkley Valley have been actively engaged in discussions about the future of their communities and how the choices they make today will affect their future. The Bulkley Land and Resource Management Plan, released in 1998, and the preparation of a Community Economic Development Strategy for Smithers are recent evidence of this interest and the public concern over basic questions about living and working in the region.

Like the rest of the province, the economy of the Bulkley Valley has entered a period of increasingly dramatic shifts and significant structural changes. As with other British Columbians, although their vision of their future may be unique to their region, the people who live in the Bulkley Valley want to respond to and control, to the greatest extent that they can, the direction and rate of change, and the associated impacts and benefits that their economy is currently experiencing and likely to face in the future.

The narrow dependency on a resource-based economy and resource extraction industries that British Columbia generally and the Bulkley Valley and northwest, more specifically, have known historically is shifting to one that is more knowledge-based and service-based. The declines in the level of production in many resource sectors across the province have carried with them slower economic growth, higher unemployment and community dislocation. Some regions of British Columbia have by good fortune fared better than others or managed this transition more successfully than others, avoiding the social and economic upheaval that typically have followed cyclical declines in the resource sector – most notably, forestry, mining and fishing.

This paper raises questions about the economic future of the Bulkley Valley using the proposed Telkwa Coal Project as the point of departure for its discussion into the economic prospects, choices and trade-offs that face all of the residents of the region as they opt for one set of economic opportunities over another, and one path of development over others.

## **Purpose of the Report**

If it is to proceed to development, the proposed Telkwa Coal Project is required by provincial law to undergo an environmental assessment. The purpose of the assessment is to determine in part whether the project can be conducted in a manner that meets local requirements – those of the people living in the Bulkley Region, and whether any significant potential negative social, economic and environmental effects from the development can be managed and prevented or mitigated to acceptable levels. Failing these tests, it is probable that the project proposal would prove unacceptable to provincial

authorities, unless some other province-wide need was significant enough to offset the project's otherwise unacceptable negative effects.

This report provides for public discussion an overview of the project proposal, the current and changing socio-economic circumstance of the Bulkley Valley, and some of the issues and questions which the project poses for the future development and growth of the Bulkley Valley communities. It is not an in-depth project assessment – not enough is known about the project and the inquiry into the region's socioeconomic circumstance is general in its treatment – but a consideration of the significance of the project and its implications in the context of general socioeconomic trends that the Bulkley Valley is experiencing.

The report has been written to raise questions and identify issues that may inform future public discussion in the event that the project report and environmental impact statement for Telkwa Coal are submitted to the provincial government. Alternatively, the report should inform public discussion about the course of future community development in the Bulkley Valley and the economic choices that must be made in order to achieve desired community futures and the well-being of Bulkley Valley communities.

## **Organization of the Report**

The report begins with an overview of the Bulkley Valley economy identifying apparent and possible trends, established community development goals and priorities, and a comparison of the Bulkley Valley's general socioeconomic circumstance with other regions and the province as a whole. The Telkwa Coal concept proposal is then described and placed in an industry-wide context. Finally, general issues associated with project costs and benefits are identified as they relate to the future development of the Bulkley Valley. The discussion concludes by considering some of the choices Bulkley Valley communities face in controlling development in a manner that will contribute to their future economic well-being.

## METHODOLOGY

This discussion paper has been prepared through a limited review of select documents pertaining to the Telkwa Coal Project Concept, materials related to and including the 1998 Bulkley Land and Resource Management Plan (LRMP), other published materials that are related to issues identified in the report, and current and historic regional statistical data from Statistics Canada.

A brief commentary is required on the statistical data that was collected and reviewed for this report as it updates, clarifies and provides a more accurate picture of the Bulkley Valley than some of the data utilized in the Bulkley LRMP. Most notably, it provides a more consistent treatment of the Bulkley Valley proper (Telkwa, Smithers and the immediate surrounding area), the “Northwest” and comparisons with other neighbouring regions outside of the Bulkley Valley. To establish a trend line utilizing the most recent Census data available, this report covers the period from 1986 – 1996, whereas the LRMP data relied on the 1991 data. Finally, and importantly, the income data in this paper is reported in constant dollars to adjust for inflation in the cost of living, an adjustment that was not made in the LRMP data.

In providing an overview of the regional economy of the Smithers and Telkwa area, the discussion paper makes comparisons between this area and three others<sup>1</sup>, namely:

- a) the Province of British Columbia,
- b) the Bulkley-Nechako Regional District Census Division plus the Kitimat-Stikine Regional District Census Division<sup>2</sup>, and
- c) the municipality of Kitimat

All of the data in the overview are from the Censuses for 1986, 1991, and 1996. In most of the included tables, data from each of these are used. In some cases, only data from the 1996 Census are used because it appeared sufficient to make a point and because data classifications changed from census to census, making comparisons difficult.

Census maps showing the Bulkley-Nechako Regional District Census Division and the Kitimat-Stikine Regional District Census Division are attached as Appendix A. It should be noted that the Kitimat-Stikine Census Division does not include Prince Rupert and that the Bulkley-Nechako Census Division does not include Prince George.

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<sup>1</sup> For convenience, the overview will refer to each of the regions used for comparative purposes as “areas”.

<sup>2</sup> The Bulkley-Nechako Regional District extends northwestward from west of Prince George and, as well as Smithers and Telkwa, includes Burns Lake, Fort St. James, Fraser Lake, Houston, Vanderhoof, and several Indian Reserves. The Kitimat-Stikine Regional District trends northward along the coast, beginning just north of Bella Bella. Its northern boundary is in the vicinity of Telegraph Creek. It includes Kitimat, Terrace and the Hazeltons, as well as many Indian Reserves.

The overview uses the provincial economy as a point of comparison with the Smithers and Telkwa area because it is large and relatively diversified. It can therefore provide a primary reference for assessing the relative economic diversity and maturity of any of its sub-regions.

The Bulkley-Nechako Census Division is used because it is the geographic area in which Smithers and Telkwa are located. However, residents of Smithers and Telkwa have indicated that it is not the area with which they have a strong community of interest or community ties. Rather, they tend to look northward and westward, toward the Hazeltons. The overview has therefore added the Kitimat-Stikine Census Division to the Bulkley-Nechako Census Division, and refers to the combined census divisions as, simply, and hopefully fittingly, “the Northwest”.

The municipality of Kitimat is included because of its state of dependence on a single industry. It represents a form of single-track, undiversified development that many residents of Smithers and Telkwa have indicated they would not favour.

This overview treats Smithers and Telkwa as a single geographic unit. However it recognizes that account must also be taken of a substantial unorganized rural population living in general vicinity of Smithers and Telkwa. It therefore adds the population of Bulkley-Nechako Census Subdivision B, the rural area in which Smithers and Telkwa are located, to the urban populations. The populations of these three units are shown in the following table.

**Table 1**  
**Prime Study Area**

	Population 1986	Population 1991	Growth 1986-1991 %	Population 1996	Growth 1991-1996 %
Smithers	4,713	5,029	7	5,624	12
Telkwa	863	959	11	1,194	25
Adjacent Rural Area (Bulkley-Nechako Subd B)	5,766	5,996	4	6,505	8
	11,342	11,984	6	13,323	11

There are concerns about the quality, reliability and useful of the regional Census data that should be clearly recognized.

As mentioned, the past three Censuses are the principle source of data for this overview. What the overview examines in these data is an indication of the general directions in which the regional Smithers-Telkwa economy is heading. However, Census numbers can only tell so much. They may be able to suggest general trends and provide points of comparison, but they are no substitute for an in-depth analysis of industrial and community change in a locality. This paper does not attempt the latter.

The censuses also raise some important concerns. One is data quality. Census data can be of high quality for larger agglomerations such as a province or census division, but of questionable quality for small places such as Smithers and Telkwa. For example, much of the data for Telkwa appears rounded to the nearest five or zero, which suggests incomplete collection of data or imprecise data. Moreover, much of the data included in the Census publications is based on taking 20% samples. Again, this should provide an adequate basis for understanding trends in large populations, but is of doubtful value for small ones.

The other concern is that data for the latest census was collected in 1996 and is based essentially on what happened in 1995. Since that time, some major international economic events have affected the economy of the whole of British Columbia, particularly regions in which the production of primary resources for export is important.

## **BULKLEY VALLEY AND COMMUNITY ECONOMIES**

It is well recognized that the British Columbia economy is in a state of transition. To some extent both this recognition and this state of transition are mirrored in the economy of the Bulkley Valley today. In a period of economic transition, like the one the Bulkley Valley communities are experiencing as they shift away from a historic dependency on resource-based development, inevitable questions arise out of the uncertainties associated with change: Where are we headed? What businesses will survive? Will the significant economic opportunities of the past continue to be important in the future? Will the skills, education and knowledge of workers, business people and residents have application in the future? Who are going to be the winners and losers as communities and regions move toward an economic future that is different from the past?

Understanding the economy of the Bulkley Valley communities and indications of where it could be headed are helpful in evaluating the potential impacts and benefits of proposed developments and in making choices about maintaining a course of development or altering its path. Establishing economic and demographic trends through an examination of population growth, employment, occupation, education and mobility are useful in identifying the changes that are occurring over a specified period of time in a community or region and the current direction development in a community is tending. Trend lines provide an insight into the changing state of an economy from the standpoint of the present. They do not and cannot provide a prediction about the future. But they can provide signs that we can interpret to inform the development decisions and choices we make about the type of community we want to live and work in, and the well-being that is desirable.

In the discussion that follows the socioeconomic circumstance of the Bulkley Valley communities is compared with the rest of the province, the “Northwest”, and Kitimat (a single industry town) to place these findings in a broader context and to provide a relative sense of the state of the Bulkley Valley’s economy. Most of these findings are based on a review of Census data covering the period from 1986 – 1996. They are supplemented by some of the findings from work carried out in conjunction with the Bulkley Land and Resource Management Plan.<sup>3</sup>

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<sup>3</sup> Crane Management Consultants Limited, *Socio-Economic Analysis. Bulkley Land and Resource Management Plan*, July 1996.

## Socioeconomic Profile – Census Overview

### Population

#### *Population Growth*

The following table shows population and population growth for the geopolitical areas under consideration.

**Table 2**  
**Population Growth**

	Population 1986	Population 1991	Growth 1986-1991 %	Population 1996	Growth 1991-1996 %
British Columbia	2,883,365	3,282,061	14	3,724,500	13
Northwest	76,953	80,846	5	85,260	5
Smithers/Telkwa/Rural	11,342	11,984	6	13,323	11
Kitimat	11,196	11,305	1	11,136	(1)

British Columbia experienced substantial population growth during the periods shown. The Northwest grew slowly relative to the province between 1986 and 1991, but grew more rapidly during the next intercensal period, though its growth rate remained well short of that of the province. Smithers, Telkwa and the surrounding rural areas (census subdivision B) showed similar growth to the Northwest during the 1986-1991 period, but grew at a rate approaching that of the province between 1991 and 1996.

Reflecting its dependency on the labour force requirements of the Alcan smelter, the population of Kitimat exhibited very slow growth between 1986 and 1991, and a decline in population between 1991 and 1996. In fact, Kitimat's population declined from 12,814 in 1981 to 11,196 in 1986, a rather large decline of -12.6%.

#### *Age Structure*

The general age structure for the areas under comparison are shown in the following table.



**Table 3**  
**Age Structure of Populations**

(By Age Class as a Percentage of the Total Population)

	Brit.Col.	N'West	S&T&Rural	Kitimat
0 yrs 4 yrs	6%	8%	9%	8%
5 9	7%	9%	9%	9%
10 14	7%	9%	9%	9%
15 19	7%	8%	8%	8%
20 24	6%	7%	6%	7%
25 29	7%	7%	7%	7%
30 34	8%	8%	9%	8%
35 39	9%	9%	10%	9%
40 44	8%	8%	9%	8%
45 49	8%	7%	7%	7%
50 54	6%	5%	5%	5%
55 59	5%	4%	4%	4%
60 64	4%	3%	3%	3%
65 69	4%	3%	2%	3%
70 74	3%	2%	2%	2%
75 79	3%	1%	1%	1%
80 84	2%	1%	1%	1%
85 plus	1%	0%	1%	0%

When compared with the province, there is a bias toward younger age classes in the Northwest, the Smithers, Telkwa and surrounding rural areas, and in Kitimat.

Table 4 provides a clearer illustration of the significance of these younger age classes. Each row of Table 4 shows the percentage of the total population which is younger than the lower limit of the next age class. Thus for British Columbia as a whole, 26% of the population is less than 20 years of age and 57% is below the age of 40. The populations of the Northwest and of Smithers, Telkwa and the surrounding rural areas are proportionately younger than the population of the province, but are only slightly younger than that of Kitimat. Thus in comparison with British Columbia where 26% of the population is below the age of twenty, 34% of the population of the Northwest is below this age, as is 35% of the population of Smithers, Telkwa and the rural areas and 33% of the population of Kitimat below twenty years of age. The proportions of people falling below the age of forty are also higher in the Northwest, the Smithers, Telkwa and the rural areas, and in Kitimat.

That the whole of the Northwest, including Smithers, Telkwa and Kitimat, has a young population is typical of a resource-based regional economy. As well, the Northwest has a proportionately higher Aboriginal population. The 1996 Census indicates that the Aboriginal population of the Northwest, as defined in this overview, is 18.6% of the total population. Since this number is based on self-identification, it probably under-represents the population that is of Aboriginal ancestry. However, the point is that Aboriginal populations, wherever they occur in Canada, are proportionately much younger than the non-Aboriginal population. Any significant percentage of Aboriginal people in the overall population mix of a region would tend the region's population toward lower age groups.

**Table 4**

**Age Structure of Populations, 1996**

		Brit.Col.	N'West	S&T&Rural	Kitimat
0 yrs	4 yrs	6 %	8%	9%	7%
5	9	13%	17%	18%	15%
10	14	20%	26%	27%	25%
15	19	26%	34%	35%	33%
20	24	33%	41%	41%	39%
25	29	40%	48%	48%	46%
30	34	48%	56%	56%	53%
35	39	57%	65%	66%	63%
40	44	65%	73%	75%	72%
45	49	73%	80%	82%	80%
50	54	79%	85%	87%	86%
55	59	83%	89%	91%	91%
60	64	87%	92%	93%	94%
65	69	91%	94%	96%	97%
70	74	95%		98%	99%
75	79	97%	97%	99%	99%
80	84	99%	98%	99%	100%
85	plus	100%	100%	100%	100%

The challenge that a young population presents for community stability and intergenerational community development, especially a population under twenty years of age, is that young people will leave their community if there is nothing for them to do or local employment prospects to pursue as they become increasingly older. The population

of a region such as the Northwest is relatively mobile, moving in response to, or the absence of, work opportunities.

### *Family Size*

That this challenge will remain is reflected in the fact that people living in the three northern areas have larger families than the people of the province as a whole. This is shown in the following table that shows that 19% of the families living in Smithers, Telkwa and surrounding rural area consist of five persons or more, whereas only 11% of the families of the whole province are of this size. It will be noted that the families of the other northern areas are also larger than the families of the province as a whole.

**Table 5**  
**Census Families by Family Size, 1996**

Size of Census Family	Brit Col	N'West	S&T&Rural	Kitimat
2	43%	39%	38%	38%
3	23%	21%	20%	22%
4	23%	24%	23%	26%
5+	11%	17%	19%	15%
	100%	100%	100%	100%

### **Income**

The following table shows that in 1996 a higher proportion of families in Smithers, Telkwa and the surrounding rural areas had incomes above \$50 thousand than families in all British Columbia. In terms of incomes above \$80 thousand, the proportions for British Columbia, the Northwest and Smithers, Telkwa and rural areas were about equal. However, a much higher proportion of Kitimat families had incomes over both \$50 thousand and \$80 thousand.<sup>4</sup>

<sup>4</sup> The table should be understood as showing the percentage of families who had incomes above the low end of each class. Thus, 100% of the families had incomes above zero. 94.53% of the families of British Columbia had incomes above \$10,000, etc.

**Table 6**  
**Census Family Incomes, 1996**

Lower Limit Income (000's)	Upper Limit Income (000's)	Brit.Col.	N'West	S&T&Rural	Kitimat
<10		100.00	100.00	100.00	100.00
10	19.999	94.53	94.39	97.70	96.27
20	29.999	84.76	85.48	90.22	90.42
30	39.999	72.44	75.01	80.86	83.93
40	49.999	60.85	65.72	72.66	77.44
50	59.999	49.12	54.48	58.85	73.05
60	69.999	37.90	42.76	43.88	61.20
70	79.999	28.12	30.45	29.64	47.08
80	89.999	20.27	21.37	19.86	32.31
90	99.999	14.50	13.94	13.24	21.75
>100		10.43	9.37	7.77	15.42

*Income Gains or Losses*

The prospect of earning or obtaining a decent, livable income is a key factor influencing people's decision to stay in an area or inducing them to leave and seek better prospects elsewhere.

The following table compares nominal income with real family income. Nominal income is essentially the dollar amount registered on a paycheck. Real income is that dollar amount discounted by an index of inflation such as the Consumer Price Index. Real income indicates the purchasing power of the paycheck compared with the purchasing power of a paycheck of a previous period.

What Table 6 shows is very large increases in nominal family income from 1986 to 1991, but a much lesser increase in the 1991 to 1996 period. The gains in nominal income in the 1986 to 1991 period translated into significant gains in real family income in all areas of comparison, but especially in Smithers, Telkwa and the surrounding rural areas. However, the reduced rates of increase in nominal income in the following period, 1991 to 1996, translated into only very minor gains for three of the areas in the following period, and into an apparent small real income loss in Smithers, Telkwa and rural areas.<sup>5</sup>

<sup>5</sup> It should be noted that the Consumer Price Index (1986 = 100) for all of Canada was used as a deflator in this analysis. Use of an index more appropriate to northwestern British Columbia

**Table 7**  
**Comparisons of Nominal and Real Family Income**

<i>Nominal Family Income</i>	<i>Mean</i>			
	Brit.Col.	N'West	S&T&Rural	Kitimat
1986	\$37,655	\$37,345	\$37,709	\$46,197
1991	\$52,403	\$51,609	\$55,099	\$61,588
Increase, 1986-1991	39.17%	38.19%	46.12%	33.32%
1996	\$56,527	\$56,575	\$58,931	\$67,739
Increase, 1991-1996	7.87%	9.62%	6.95%	9.99%
<i>Real Mean Family Income</i>				
	Brit.Col.	N'West	S&T&Rural	Kitimat
1986	\$37,655	\$37,345	\$37,709	\$46,197
1991	\$41,524	\$40,895	\$43,660	\$48,802
Increase, 1986-1991	10.27%	9.50%	15.78%	5.64%
1996	\$41,687	\$41,722	\$43,460	\$49,955
Increase, 1991-1996	0.39%	2.02%	-0.46%	2.36%

What is evident from Table 6 is the strong income position of Kitimat. Family income there is considerably higher than the provincial average, and well above that of Smithers, Telkwa and surrounding rural areas.

It should be noted that the experience of the areas under consideration was not out of line with the experience of Canada as a whole, which saw rapid increases in income during the 1980s followed by recession conditions during much of the early 1990s.

However, what the forgoing does not tell us is whether the rise in family income is due to increasing wages or whether some other factor, such as increased participation by family members, is key. A marked increase in female participation in the labour force is evident in the data examined in the next section. This in itself would have led to an increase in family income. However, data for British Columbia as a whole indicates that it was not only a case of rising female labour force participation, but also a case of the incomes of women rising much more rapidly than those of men. Between 1986 and 1991, the real average income of male British Columbia labour force participants increased by 4.2%, whereas the income of female participants increased by 10.7%. During the 1991 to 1996

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might have yielded slightly different results, though it is improbable that the trends shown would have differed significantly.

period, the real income of men actually declined by nearly 4% whereas the income of women increased by nearly 5%. From this, it can be concluded that both increased female participation in the labour force and rapid female income gains had a considerable bearing on increasing and maintaining family incomes between 1986 and 1996.

## Employment

The following tables indicate how the labour force was divided among broad industry categories in 1986, 1991 and 1996. What is notable is the overall decline in the importance of the Primary and Manufacturing group in the Smithers, Telkwa and rural areas and the corresponding rise in the importance of Trade, Finance, and Real Estate. Indeed, there was a decline in the relative importance of primary and manufacturing employment in all of the areas. This is true even of Kitimat, although that community remains solidly dependent on the single activity of aluminum smelting.

**Table 8**

**Percentage Employment by Broad Industry Category, 1986**

1986	Brit.Col.	N'West	S&T&Rural	Kitimat
Primary & Manufacturing	20	38	33	53
Construction, Transportation, Utilities	15	13	15	7
Trade, Finance, Real Estate	23	15	17	11
Public Services	7	7	6	5
Private Services and other	35	26	29	24
	100	100	100	100

**Table 9**

**Percentage Employment by Broad Industry Category, 1991**

1991	Brit.Col.	N'West	S&T&Rural	Kitimat
Primary & Manufacturing	18	34	27	49
Construction, Transportation, Utilities	16	14	17	9
Trade, Finance, Real Estate	23	17	21	14
Public Services	22	21	19	16
Private Services and other	22	14	16	13
	100	100	100	100

**Table 10**

**Percentage Employment by Broad Industry Category, 1996**

1996	Brit.Col.	N'West	S&T&Rural	Kitimat
Primary & Manufacturing	16	32	25	48
Construction, Transportation, Utilities	15	13	15	7
Trade, Finance, Real Estate	23	17	21	13
Public Services	22	22	21	17
Private Services and other	24	15	18	15
	100	100	100	100

Another trend observable for all of the areas is an increased presence of women in the work force. The female participation rate lay in the mid 50% range in the mid 1980s, rose markedly into the 60% range by 1991, but then continued to climb more slowly. The increased participation of women in the labour force may be related to an expansion of opportunities in the Trade, Finance and Real Estate fields, which would have encouraged labour force entry among women. As has already been noted, it is not only female participation that rose rapidly, but female income as well.

Generally, while the participation rate was considerably lower for women than men in all of the periods shown, it was not unusual for women who were participants in the labour force to have higher rates of employment than men.<sup>6</sup>

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<sup>6</sup> The participation rate is that proportion of the labour force (population aged 15 to 64) which is active in the labour market, either employed or seeking employment. The employment rate is that proportion of the participating labour force that is employed. The unemployment rate is that proportion of the participating labour force that is unemployed.

**Table 11**  
**Labour Force Activity, 1986**

	1986	1986	1986	1986
	Brit.Col.	N'West	S&T&Rural	Kitimat
<b>Labour Force Activity</b>				
<i>Males, 15 and over</i>	1,111,305	28,430	2175	4,165
in the labour force	847,125	23,180	1875	3,550
employed	737,885	19,275	1610	3,315
unemployed	109,245	3,910	265	240
Unemployment rate	13%	17%	14%	7%
Participation rate	76%	82%	86%	85%
Employment rate	87%	83%	86%	93%
<i>Females, 15 and over</i>	1,148,000	25,690	1840	3,835
in the labour force	637,055	13,820	1025	2,055
employed	551,550	11,225	890	1,635
unemployed	85,505	2,595	135	415
Unemployment rate	13%	19%	13%	20%
Participation rate	55%	54%	56%	54%
Employment rate	87%	81%	87%	80%



**Table 12**  
**Labour Force Activity, 1991**

	1991	1991	1991	1991
	Brit.Col.	N'West	S&T&Rural	Kitimat
<b>Labour Force Activity</b>				
<i>Males, 15 and over</i>	1,273,585	30,285	2285	4,345
in the labour force	962,715	24,700	1930	3,660
employed	865,475	21,270	1675	3,400
unemployed	97,240	3,435	255	260
Unemployment rate	10	14	13	7
Participation rate	76	82	84	84
Employment rate	90	86	87	93
<i>Females, 15 and over</i>	1,311,945	27,380	1970	3,940
in the labour force	786,210	16,745	1310	2,310
employed	703,305	14,490	1205	1,945
unemployed	82,905	2,250	105	370
Unemployment rate	11	13	8	16
Participation rate	60	61	66	59
Employment rate	89	87	92	84

**Table 13**  
**Labour Force Activity, 1996**

	1996	1996	1996	1996
	Brit.Col.	N'West	S&T&Rural	Kitimat
<b>Labour Force Activity</b>				
<i>Males, 15 and over</i>	1,448,620	32,450	2,485	4,330
in the labour force	1,057,255	25,735	2,120	3,360
employed	953,395	21,890	1,795	3,160
unemployed	103,855	3,850	320	195
Unemployment rate	10	15	15	6
Participation rate	73	79	85	78
Employment rate	90	85	85	94
<i>Females, 15 and over</i>	1,506,080	30,060	2,225	4,050
in the labour force	903,410	18,905	1,520	2,430
employed	819,895	16,895	1,425	2,090
unemployed	83,515	2,005	90	345
Unemployment rate	9	11	6	14
Participation rate	60	63	68	60
Employment rate	91	89	94	86

Several findings are noteworthy from the tables. One is the relatively high unemployment rate among men in the Northwest and in the Smithers, Telkwa and rural areas. Another is the low unemployment rate among men in Kitimat and the high unemployment rate among women in that locality.

### **Occupations**

Information on employment by industry tells us who hires people. Occupational data tells us what people do.

The following tables show a breakdown of the male and female labour force by occupation, based on the 1996 Census. For men, Table 13 illustrates a strong concentration of individuals in the Trades, Transport and Equipment Operators categories. In Kitimat, however, men are most strongly present in occupations unique to Processing, Manufacturing and Utilities. For women, it shows a large dominance of

occupations in Sales and Services, though there is also a considerable female presence in Business, Finance and Administration.<sup>7</sup>

**Table 14**  
**Occupational Distribution, Male Labour Force, 1996**

	Brit.Col.	N'West	S&T&Rural	Kitimat
Management	12.0%	7.9%	9.2%	6.2%
Business, Finance, Admin	9.2%	3.8%	4.0%	2.7%
Natural and Applied Sciences	7.4%	7.5%	12.1%	7.9%
Health	2.0%	1.2%	2.3%	0.6%
Social Science, Education, Gov't Service, Religion	4.9%	3.6%	2.8%	2.7%
Art, Culture, Recreation, Sport	2.5%	0.9%	0.6%	1.1%
Sales and Service	21.4%	12.9%	15.6%	11.8%
Trades, Transport, Equipment Operators	26.3%	32.0%	30.7%	29.3%
Unique to Primary Industries	6.7%	15.1%	13.9%	2.9%
Unique to Processing, Manufacturing, Utilities	7.6%	15.2%	8.7%	34.9%
	100.0%	100.0%	100.0%	100.0%

**Table 15**  
**Occupational Distribution, Female Labour Force, 1996**

	Brit.Col.	N'West	S&T&Rural	Kitimat
Management	6.7%	6.5%	6.5%	7.3%
Business, Finance, Admin	29.5%	23.7%	24.3%	19.9%
Natural and Applied Sciences	1.7%	2.2%	3.3%	1.5%
Health	7.9%	5.9%	5.7%	7.1%
Social Science, Education, Gov't Service, Religion	8.7%	10.2%	8.5%	6.4%
Art, Culture, Recreation, Sport	3.3%	2.2%	1.8%	2.9%
Sales and Service	35.3%	39.4%	40.5%	44.8%
Trades, Transport, Equipment Operators	1.8%	2.3%	2.1%	3.3%
Unique to Primary Industries	2.4%	4.5%	5.9%	1.5%
Unique to Processing, Manufacturing, Utilities	2.7%	3.1%	1.5%	5.3%

<sup>7</sup> From 1986 to 1996, Census methods of classifying occupations changed significantly. It would therefore be very difficult to provide occupational statistics comparable to those in Tables 14 and 15 for 1986 and 1991.

100.0% 100.0% 100.0% 100.0%

## Education

Educational attainment levels are shown in the following table and illustrates that educational attainment levels in the northwestern areas are somewhat lower than provincial norms, but not significantly so.

**Table 16**  
**Highest Level of Schooling 1996**

	Brit.Col.	N'West	S&T&Rural	Kitimat
Total population 15 years and over	100.00%	100.00%	100.00%	100.00%
Less than grade 9	7.40%	10.42%	9.98%	9.84%
Grades 9 to 13 without certificate	23.68%	29.74%	29.51%	29.65%
Grades 9 to 13 with certificate	12.92%	14.55%	14.40%	16.83%
Trades certificate or diploma	3.50%	4.10%	4.04%	2.92%
Other non-university education	27.01%	26.55%	26.89%	27.15%
Other non-university without certificate or diploma	7.36%	7.85%	7.92%	8.35%
Other non-university with certificate or diploma	19.65%	18.70%	18.96%	18.74%
University without degree	11.89%	7.53%	7.69%	7.52%
University without degree without certificate or diploma	5.67%	3.58%	3.66%	3.64%
University without degree with certificate or diploma	6.22%	3.95%	4.01%	3.94%
University with bachelor's degree or higher	13.60%	7.09%	7.47%	6.03%

## Mobility

The following table for families from the 1996 Census compares the mobility of the populations.

**Table 17**  
**Mobility, 1996 Census**

By place of residence one year ago	Brit.Col.	N'West	S&T&Rural	Kitimat
<b>Non-movers</b>	80.18%	81.20%	81.21%	85.45%
<b>Movers</b>	19.82%	18.80%	18.79%	14.55%
<i>Non-migrants</i>	56.26%	54.21%	53.95%	73.13%
<i>Migrants</i>	43.74%	45.79%	46.05%	26.88%
<b>Internal</b>	83.09%	95.70%	95.78%	88.24%
<i>Intra provincial</i>	74.78%	77.68%	77.09%	53.33%
<i>Inter provincial</i>	25.22%	22.32%	22.91%	46.67%
<b>External</b>	16.91%	4.30%	4.22%	11.76%
By place of residence five years ago	Brit.Col.	N'West	S&T&Rural	Kitimat
<b>Non-movers</b>	45.45%	52.47%	52.20%	60.08%
<b>Movers</b>	54.55%	47.53%	47.80%	39.92%
<i>Non-migrants</i>	46.53%	52.75%	52.51%	72.29%
<i>Migrants</i>	53.47%	47.25%	47.49%	27.71%
<b>Internal</b>	78.72%	95.17%	95.22%	89.13%
<i>Intra provincial</i>	68.17%	75.68%	75.68%	57.56%
<i>Inter provincial</i>	31.83%	24.32%	24.32%	42.44%
<b>External</b>	21.28%	4.83%	4.78%	10.87%

Mobility figures are for persons who either moved within or to the areas shown. There is an obvious interdependence and lack of exclusiveness among the figures. An intra-provincial migrant within British Columbia could, for example, have migrated to the Northwest and should, therefore, appear in both the statistics for the province and for the region. Or, a migrant to the Northwest may have settled in Smithers or Kitimat, and would therefore be recorded as having moved to both areas. Similarly, an inter-provincial migrant may have located in the Northwest, thereby contributing to the figures recorded for both the region and the province.

The data might therefore be taken as a simple confirmation of the obvious: people do move about, and are more likely to do so within a five year period than a one year period.

However, the data do suggest that the people of Smithers, Telkwa and rural areas appear to be slightly more inclined to move than the people of Kitimat.

## **The Economy of the Bulkley Valley – Situation and Circumstance**

The economy of the Bulkley Valley is more than a system of purely economic transactions and activities. It is inclusive of the people of the area – who they are, how old they are, how big their families are, what skills and education they have, what kind of work they are pursuing, who employs them, and what attachments they have to the region.

The foregoing sections have taken us through a rather large exercise of data collection, collation and analysis. This section examines both what can be learned from the data and what may remain outstanding for a complete understanding of economy and future circumstances of Smithers, Telkwa and rural areas and the Northwest as a whole.

*What have we learned from the statistics?*

The Census data collected between 1986 and 1996 suggests the following characteristics about the socioeconomic circumstances of the Bulkley Valley communities and surrounding rural area:

### **Population growth rates are increasing:**

- ∞ Population growth was far slower than in British Columbia as a whole between 1986 and 1991. More recently, between 1991 and 1996, the population of Smithers, Telkwa and the rural areas grew more rapidly, approaching the growth rate of the province. The Northwest continued to grow at its previous rate. Kitimat did not grow at all between 1986 and 1996.

### **The general population is young in age:**

- ∞ The proportion of younger people, below the ages of 20 and 40, is considerably higher than in British Columbia as a whole.

### **Families are larger:**

- ∞ People tend toward larger families than in the province as a whole.

### **Family incomes are generally higher than province-wide, but remained virtually static and may have declined for the five years between 1991 and 1996:**

- ∞ Family incomes are much higher in the three northern areas than in the province as a whole, and are much higher in Kitimat.
- ∞ Real family incomes in all areas surged upward between 1986 and 1991, but remained virtually static between 1991 and 1996. During the latter period, real

family incomes appear to have fallen slightly in Smithers, Telkwa and the rural areas.

**Increased female participation in the labour force has contributed to increases in family income and softened family income declines when they occurred:**

- ∞ The upward surge of family income between 1986 and 1991, and stunted income growth at about the 1991 level between 1991 and 1996, can be accounted for partly by increased female labour force participation and even more by a closing of the wage gap between men and women. During the 1986 to 1991 period the real income of women in British Columbia increased by nearly 11%, while that of men increased by about 4%. During the 1991 to 1996 period, the real income of women rose less rapidly at about 5%, whereas the real income of men fell by almost 4%.

**Employment is shifting from resource-based industries:**

- ∞ In employment, the Bulkley Valley and the Northwest experienced a move away from resource-based industries and toward service type industries. However, the trend was not very strong. The northern areas continued to rely on resource activities and related manufacturing, particularly Kitimat.
- ∞ Women became more prominent labour force participants and this partially explains the shift in employment. With the exception of Kitimat, participating women tended to have lower unemployment rates than men.
- ∞ Occupationally, men in all of the Census areas were most prominent in the Trades, Transport and Equipment Operators field. In Kitimat, men were prominent in these fields, but even more prominent in the Processing, Manufacturing and Utilities field. In all of the areas, women were especially prominent in the Sales and Service and Business, Finance and Administration fields.

**Educational attainment levels are lower than the rest of the province:**

- ∞ In education, when compared province-wide, the Bulkley Valley and the Northwest generally have a higher proportion of people who completed less than Grade 9 or high school. They also have a considerably lower proportion of university graduates and people who attended university without graduating.

**Mobility information for the Bulkley Valley is inconclusive:**

- ∞ Data on mobility in the Bulkley Valley is difficult to interpret. They only appear to indicate the obvious: people stand a much greater chance of moving during a five year period than during a once year period. In addition, however, they indicate that people in Kitimat are less prone to move than the residents of the other areas.

*What's the situation and the prospect?*

As an economy, British Columbia is more mature and diversified than the regional economy of Smithers, Telkwa and surrounding rural areas. The latter on the other hand are more diversified than Kitimat. But then Kitimat is monolithic by design. It was established for a single purpose — a one industry town. More is said about the advantages or disadvantages of this below.

It is probable that the regional economy of Smithers and Telkwa was not diversified by design. Through a combination of large resource based industries and small enterprises, it would seem to have grown to what it is today — a mix of things large and small. However, Census data do not really say much about this. For example, they say nothing about large logging companies moving in and out to exercise timber cutting rights, or the opening and closing sawmills. They do not say much about the rise and fall of mineral exploration, or about the regional dependence on such activities.

Things like these must be known if the present nature of the regional economy is to be properly understood, and its future possibilities are to be predicted. In a small economy, change can occur very quickly. For the continued growth, development and diversification of such an economy, what happened ten or fifteen years ago is not usually important. What is important is what has happened during the past few years and is happening now. This is not usually reflected in Census statistics, especially statistics that were collected four or five years ago.

It is important to consider factors, both internal and external, which are currently shaping the regional economy. What cannot be ignored in the case of all of British Columbia is that what happens internally is greatly dependent on what happens externally. British Columbia has always been, and continues to be, dependent on exporting raw materials and semi- processed goods. As an export-based economy, it has been greatly affected by changing market conditions in the United States, the rest of Canada and, increasingly, Asia, which in recent years has taken approximately a third of its exports. Its growth has also relied heavily on the investment of capital generated beyond its borders. This state of dependence is not always a comfortable position to be in, and in an increasingly global economy, is to some extent inevitable for most regions. As in so many areas, it's a question of balance – a regionally diversified economic base in which locally and regionally controlled enterprises and activities that focus on the region provide a buffer against externally induced economic “shocks” arising from international market forces – most notably in the resource sector.

Americans have often attempted to curtail imports from British Columbia in favour of their own producers. For example, despite the North American Free Trade Agreement, American forest interests have made persistent attempts to block or reduce the



importation of softwood lumber from British Columbia, arguing that such lumber is unfairly subsidized via low stumpage fees and other advantages. Currently, however, it is Asia that is the more important concern. During the past few years, the Asian “Tiger” economies have undergone a profound collapse. Their ability to support resource-export based economies through continued imports has fallen sharply.

While the Asian economic free fall appears to have hit bottom, there is little prospect of a short-term recovery since almost none of the needed restructuring of the major Asian economies has taken place. Rather, given prospects such as the decreasing cohesiveness of Indonesia, stagnation in Japan, and the inability of China to reshape itself into a modern market economy, Asia cannot be counted on to be the kind of driver of growth that it was prior to 1997.

These are distant places to observe in a discussion about the Bulkley Valley’s economy. But the point is that the region’s economy – notably through forestry, but also through mining (taking Telkwa Coal as an example) is connected to and affected by activity and decisions that are made outside of the region, outside of the province, and, in many instances, half the world away.

The Bulkley Valley Land and Resource Management Plan (LRMP)<sup>8</sup> reinforces the message from the Census data that the economy of the region has entered a period of transition where the economic mainstays<sup>9</sup> of the region cannot maintain the level of performance that they have in the past.

The analysis suggests that the forest sector and other sectors currently dominating the Plan Area economy (the Bulkley portion of the Bulkley Cassiar Forest District) will decline in terms of employment levels. Without the imposition of an LRMP, the timber supply analysis suggests that at the end of 30 years, the decline in harvest levels from the current Annual Allowable Cut of 895,000 m<sup>3</sup>/yr would result in a decline in total regional employment...<sup>10</sup>

Adopting a long-term outlook, the LRMP suggests no significant new impacts in the near term beyond what the region is currently experiencing.

However, some short-term impacts on communities would be expected in year 10 due to the predicted regional employment reduction of 127 years person-years. During the following five decades, continuing harvest level reductions would put downward pressure on population. The long term performance of the economy would determine the degree of in-migration to offset population declines stemming from harvest flow reductions. In the short term, measures of

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<sup>8</sup> Bulkley Valley Community Resources Board and Interagency Planning Team, *Bulkley Land and Resource Management Plan*, Province of British Columbia, March 1988.

<sup>9</sup> In 1995 forestry represented 23% of basic sector income in the Bulkley Timber Supply Area according to Crane Management Consultants Limited, *Socio-Economic Analysis. Bulkley Land and Resource Management Plan*, July 1996, p. 26.

<sup>10</sup> Bulkley Valley Community Resources Board and Interagency Planning Team, *Bulkley Land and Resource Management Plan*, Province of British Columbia, March 1988, p. 109.

community wealth, such as average incomes, retail sales, property values and local government revenues could be negatively affected by the shrinking forestry base. Potentially severe problems could be encountered if a sawmill was faced with closure. While social and health indicators for the Bulkley Plan Area are generally positive, increased unemployment and forced worker adjustment resulting from a declining harvest may have a destabilizing effect on the community.<sup>11</sup>

Again, the message here is not new, and current Census data provides a hint of reinforcement that the overall health and wealth of the Bulkley Valley communities will be affected by a decline in forestry employment, without renewed or new economic activity in other sectors of the economy.

The region's young population will be particularly vulnerable to declining employment opportunities in the traditional resource sector. Limited opportunities for entry and employment in the current forest industry, notwithstanding those that have been created as a result of Forest Renewal BC programs, have significant implications for constraining the future lifestyle opportunities of young people. Income levels in the forestry sector (like the mining sector) are typically higher than other sectors of the economy with a comparable level of skills and education. Without a strong commitment to training and education, a young population with low educational attainment levels will be seriously challenged to find work outside of forestry that will permit them to enjoy comparable wages to their parents and a comparable lifestyle to what they grew up with.

It has been estimated that in 1995 mining provided about 5% of basic sector income in the Bulkley Timber Supply Area.<sup>12</sup> While it has been recognized that Smithers has provided supplies and services to the mining industry operating in northwest, the future economic role and contribution of the industry is modest.

In 1994, BC mining companies had their first profitable year since 1989, reporting net earnings of \$192 million. High copper prices, greater coal demand and a weak Canadian dollar all contributed to the turn-around. Overall, the outlook is mixed. Continued growth in most developed economies should sustain base-metal prices and continue to permit modest increased in production. Any increase in the Canadian dollar, whoever, will likely squeeze 1996 earnings.<sup>13</sup>

Historically, the mining industry has been an important but highly cyclical contributor to the provincial economy, as it has weathered the seas of world metal prices, economic conditions and government policy. Regionally, the specific prospects for the western Canadian coal industry appear uncertain at best. In the snapshot of the industry that follows later, this is discussed.<sup>14</sup>

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<sup>11</sup> Ibid, p. 109.

<sup>12</sup> Crane Management Consultants Limited, *Socio-Economic Analysis. Bulkley Land and Resource Management Plan*, July 1996, p. 26.

<sup>13</sup> Ibid., p. 55.

<sup>14</sup> Thomas Edward Bartek, *Telkwa Coal Project Analysis*, May 10, 1999.

Several factors have contributed to offsetting some of the economic declines associated with the loss of forestry jobs. Growing employment in the service sector is one of these as is the increased participation of women in the labour force generally and in this sector specifically.

Notably, tourism has been singled out in the Bulkley LRMP for special attention. It has been estimated that in 1995 tourism provided basic sector income comparable to mining – about 5% in the Bulkley Timber Supply Area.<sup>15</sup> Like traded sectors that operate across international borders, tourism is also susceptible to fluctuations in the exchange value of the Canadian dollar. The region's industry is also subject to competition from southern operators that provide services easily accessible from Vancouver. However, as wilderness resources decline and diminish in areas subject to expanding human populations and use, if the Bulkley Valley's wilderness is maintained, its value and its appeal could increase proportionately.

For the Bulkley TSA, tourism growth will continue to be tied to the touring and wilderness/adventure markets, with the best opportunities in the latter. Guided wilderness, fishing and hunting products should continue to grow, but the prime opportunity may be in the soft adventure market, which demands an active outdoor experience, but generally is a non-consumer of wildlife and fish. Hiking, rafting, mountain biking, wildlife viewing, mountaineering and wilderness tours will grow in the future, providing the necessary tourism attributes remain sound.<sup>16</sup>

Another important factor in buffering the Bulkley Valley from economic impacts associated with declines, current and future, is the significance of the public sector in the regional economy. In 1995, about 20% of total basic sector income was attributed to the public sector.<sup>17</sup> To be sure public sector presence and performance is partially tied to the health of the forestry sector, but as an important regional service center, Smithers in particular, through its public sector, will continue as an important economic actor in the region.

*How do issues of economic dependency and control affect the region?*

Historically, the Bulkley Valley through its resource industries has been export oriented and to a considerable extent export dependent. This need not be a “bad thing” in itself in so far as the region has some capacity to buffer itself from and control its exposure to the externally induced shocks that are carried from upheavals or changes in foreign markets. These are important issues for historically resource-dependent communities, like those of the Bulkley Valley to consider. Their long term economic stability, sustainable development, and future controlled growth, require them to strike a balance between their

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<sup>15</sup> Crane Management Consultants Limited, *Socio-Economic Analysis. Bulkley Land and Resource Management Plan*, July 1996, p. 26.

<sup>16</sup> *Ibid.*, pp. 66-67.

<sup>17</sup> *Ibid.*, p. 26.

economic dependency on outside capital and local control over the investment and use of local resources – whether they are natural, human or financial.

Such thinking might begin with the export dependence of the Northwest as a region. It might begin with the premise that the region must inevitably be export dependent. It would have to accept that, without the importation of capital and the export of resource based goods, the region is unlikely to be able to support employment and income at anything approaching current levels. Yet it would also recognize that the quality and diversity of imported capital is important. Smaller companies amenable to considerable local control are more likely to be socially and environmentally responsible than larger companies with no local input. Is the region moving in the direction of being able to ensure responsibility on the part of companies that operate within its boundaries, or are the rules of good corporate behaviour still being defined by remote corporate headquarters and distant government agencies? How can matters of governance and community and regional development be moved toward greater regional and local control? How might the composition of exports be moved away from raw materials and toward processed goods? How might it be moved from products which consume the environment to renewables and products which are environmentally benign?

A second and equally important consideration is to examine what can be done to diversify the regional economy and make it less dependent on importing capital and exporting resources. This discussion focuses on the possibility of forging new economic links within the region, and on ways of making money “rattle around” internally from local business to local business and thus multiply income before it moved out. It is the prospect of sustainable development, which by definition, isn't growth dependent.<sup>18</sup>

### **Absolute Dependency - Kitimat as a Single Industry Town**

Many communities whose sole existence rests on a single resource were constructed to develop natural resources that were essential to the growth of the Canadian and British Columbia economies. Kitimat is one such community and it closely fits the profile of single industry towns across Canada:

These communities are distinguishable by the fact they have been built to house and service workers engaged in the extraction, development, or primary processing of a forest, mineral, fishery or power resource.<sup>19</sup>

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<sup>18</sup> Economist Herman Daly defines *growth* as a “quantitative increase in the scale of the physical dimensions of an economy: i.e., the rate of flow of matter and energy through the economy (from the environment as raw material and back to the environment as waste), and the stock of human bodies and artifacts.” In contrast, *development* is the “qualitative improvement in the structure, design and composition of physical stocks and flows, that result from greater knowledge, both of technique and purpose.” See H.E. Daly, “The Economic Growth Debate: What Some Economists Have Learned but Many Have Not,” in *Journal of Environmental Economics and Management*, (1987) 14:32:323-336.

<sup>19</sup> L.D. McCann, “The Changing Internal Structure of Canadian Resource Towns” in Roy T. Bowles, *Little Communities and Big Industries*, Toronto, 1982, p. 61.

The consideration of Kitimat for comparative purposes derives from the concept that economic diversity based on public and private projects of a relatively small scale is preferable to dependence on a single large industry or economic sector. Where there is a single large employer, as in Kitimat, people may benefit from higher wages and better health plans, but, as has been witnessed time and again, they are more vulnerable to sudden losses of employment and income. Because plant and equipment wears out or becomes outmoded and may not be worth replacing, because resource stocks run out or stocks which are cheaper to process are found elsewhere, or because of the growing ability of capital to locate almost anywhere on the globe, communities dependent on relatively few large employers are vulnerable. Ocean Falls on British Columbia's north coast, a high income pulp and paper town of some three to four thousand people until well into the 1960s, became a ghost town when Crown Zellerbach decided to replace its aging industrial plant with new plant on Vancouver Island. Cape Breton, where generations of families lived and prospered because of coal, has become an impoverished backwater. There are many Canadian examples of single industry towns that thrived for a time but then rapidly declined.

It is a matter of record that the quality of life that single industry towns have offered to their residents has not usually been of a kind that has inspired dedication and citizenship. Typically, the social hierarchy of such towns has paralleled the management hierarchy.<sup>20</sup> On important issues, the company has usually had its way. Where the company has been large and employees dependent, citizens have had little power to influence corporate behaviour. Through a union, they may have been able to negotiate good wages and benefits, but many factors which comprise community well being were not usually on the table. Moreover, big companies have meant big government revenues via taxes, stumpage fees, royalties and other charges, and this has sometimes lead to a laxness in policing corporate environmental and social behaviour.

In marked contrast, individual entrepreneurs in a community of small entrepreneurs have always had to take community well-being seriously. Their livelihood and that of their family has depended on it. Participation, the democratic solution of local problems, and a concern for improving community well being, have been recognized as mutually shared wealth. Individual entrepreneurs could not expect to have their way unless they converged with the ways of others.

The discussion of Kitimat should not be viewed as denigrating that community. It is likely a good place to live for those who have chosen it. Many people have built their lives and families there. With their higher incomes, families can probably afford things that people in other Northwest communities can only dream about. Yet, there are trade-offs which cannot be ignored. Kitimat is a company town, and therefore subject to at least some of the vulnerabilities described above. And because the company is big and the individual is small, instances of constricted citizenship would inevitably have occurred. On an economic continuum between absolute dependency and self-sufficiency Kitimat provides a clear illustration that approaches one extreme. There are no

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<sup>20</sup> For an examination of the pattern of social differentiation in Kitimat in the 1960s, see L.D. McCann, *op.cit.*, pp. 74 – 77.

community examples that approach the other extreme of self-sufficiency – not surprising given the globalization of Canadian economy and its far-reach through the resource sectors into the more remote regions and communities of the hinterland. Notwithstanding, a desire for greater economic self-reliance and a more diversified regional economy is something that has increasingly demanded the attention of provincial and local governments.

## **The Road to Local Economic Self-Reliance**

For almost two decades, northern resource dependent communities across Canada have wrestled with their narrow dependency on forestry and mining and the activities of large corporations. In its 1986 report to the Ontario government, the *Advisory Committee on Resource Dependent Communities in Northern Ontario* cited the problems large and small that face these communities.<sup>21</sup> They are well known today in the communities of northwest British Columbia, and include:

- Resource depletion
- Vulnerability to world commodity prices
- The cyclical nature of resource industries
- Modernization with associated employee reductions
- Competition with Third World resources
- Increasing and changing unemployment rates
- Declining population
- Loss of youth
- Social problems associated with an uncertain future

There is a cruel irony here, when several centuries ago the majority of economic activity was self-contained, and today it can barely be demonstrated that such a local economy remains in the industrialized world, while those that exist in non-industrialized countries are fast being disrupted from outside economic forces to be integrated into broader national and international economies. Although the dominant economic direction today appears at extreme odds with any concept of local economic self-reliance, there remains evidence of communities and regions that are in an early stage of transition to greater self-reliance and economic diversity.

Economic self-reliance is not the same thing as self-sufficiency. Economic self-reliance can be viewed as a scale:

... ranging from 0%, meaning that 100% of the relevant domestic consumption is imported, to 100%, meaning that domestic consumption is exclusively met by domestic product: there are no imports. This latter condition is the state of self-

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<sup>21</sup> Advisory Committee on Resource Dependent Communities in Northern Ontario, *Final Report and Recommendations*, May 26, 1986.

sufficiency. Such isolationism is neither achievable nor desirable in today's global village. In between the two extremes come degrees of self-reliance.<sup>22</sup>

Finding the balance, the middle way, is of course the challenge for regions attempting to navigate the structural transformation of their economies. In British Columbia, the challenge has been clearly stated by the British Columbia Round Table on the Environment and the Economy:

The province is in the midst of a fundamental restructuring from a resource-based economy to one based more on knowledge and services. If not managed successfully, this change will almost certainly result in slower economic growth, continued high unemployment levels, community dislocations, little change in real disposable income, higher government deficits, and unfulfilled personal expectations.<sup>23</sup>

The Bulkley Valley communities are themselves in a state of transition. They are attempting to achieve greater self-reliance through the diversification of their economy and greater local control of resources and the developments that affect them. In the early stages of such a transition, development opportunities that arise will need to be carefully weighed and evaluated. Do they present a step forward to increased local economic self-reliance? A step back? Or running-on-the-spot?

The Telkwa Coal Project represents a development proposal that needs to be carefully considered in the context of where the Bulkley Valley economy has come from, where it is headed, and where it wants to end up. The discussion that follows raises a series of questions and issues that can serve as the point of departure for the people of the region to consider, and make a judgment on this and other projects as they emerge.

Without question, the transition from an economy of dependency to one of increased self-reliance will be a difficult one and not without debate. But no one should doubt the necessity of change and the commitment that is required to make it. Again, the BC Round Table has made this very clear:

The transition from one economy to the other will require the commitment and active participation of individuals and organizations from every region and sector of the province, as well as our governments, if we are to succeed in achieving our aspirations as well as leaving an unencumbered legacy for future generations.<sup>24</sup>

Now, we turn to the proposal for the development of Telkwa Coal.

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<sup>22</sup> Paul Ekins, *Local Economic Self-Reliance*, A Paper Based on a Talk to the Entropy Society at Ryukoku University, Kyoto, Japan, November 22, 1987.

<sup>23</sup> British Columbia Round Table on the Environment and the Economy. Economy Task Force, An Economic Framework for Sustainability, May 1993, p. 7.

<sup>24</sup> *Ibid.*, p. 7.

## TELKWA COAL PROPOSAL

Coal mining is not new to the Bulkley Valley. Coal reserves in the Telkwa area have been mined since 1906, with activity centred near the lower reaches of Goathorn Creek along coal outcrops in the valley wall. In May 1992, Manalta Coal Limited purchased coal interests in the Telkwa area and subsequently in 1996 prepared a concept plan for a proposed mine development. In 1998, Luscar Coal Limited acquired Manalta, making Luscar Canada's largest coal producer and the company that is now responsible for the proposed mine development.

Various aspects of the proposed mine development have been presented over the previous 15 years, but the current proposal remains the one developed by Manalta in the 1996 concept plan. As it is a conceptual plan, it lacks detail on many aspects of the proposed development – these should be addressed when Luscar has submitted a long anticipated project report. However, the basic elements of the proposal to develop and operate a coal mine approximately six kilometers southwest of Telkwa are clearly stated in the concept plan for the project:

The proposed Telkwa Coal Mine will produce approximately 1.0 - 1.5 million tonnes of coal per year for sale to export markets. Coal associated with the mine is a high quality, low ash, bituminous coal suitable for use in the steel making industry or as a fuel for thermal power generation. Coal will be mined from three major mining areas within the Project boundary. The proposed coal wash plant, mine maintenance facilities and mine service facilities will be located on Crown land near the original Bulkley Valley Collieries mine site. Clean coal will be hauled from the wash plant via an access road to a rail loadout near Helps Creek, four kilometres south of the Village of Telkwa. Coal will then be loaded onto unit trains and transported approximately 400 kilometres by rail to the port of Prince Rupert. Access to the mine facilities will be along the clean coal haul road from the coal loadout area.<sup>25</sup>

The company initially estimated that, in full operation, the mine would employ approximately 120 to 140 people and would operate for approximately 25 years. It was expected that the mine would draw most of its operational workforce from the Bulkley Valley region. Subsequently, in 1997, it revised these estimates and proposed to operate for "a shorter period" and employ 217 people. The company suggested a very low turnover of one or two percent "considering the average salary in the industry is \$75,000".<sup>26</sup>

The company recognized that the mine would pose environmental problems, but it felt that these could be dealt with:

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<sup>25</sup> Manalta Coal Ltd., *Telkwa Coal Mine, Project Concept*, October 1996

<sup>26</sup> Newspaper article dated November 12, 1997.



Due to the nature of the local geology, certain waste material have the potential to generate acid rock drainage. Selective handling of specific materials will alleviate this risk. The sequential development of the small, individual pits will allow selective management of waste material, where required, and reclamation at an earlier time than in conventional large open pit operations. Mine plans have been developed to minimize the amount of waste rock dumped adjacent to the mine pits and maximize the amount of material that can be backfilled into the pits. Manalta also proposes a comprehensive reclamation plan in which waste rock dump areas will be recontoured and covered with previously salvaged till and soil material that will support future land uses such as forestry and agriculture.<sup>27</sup>

Manalta's 1997 revisions to its initial concept plan leading to increased production, more jobs, and a shorter mine life were required to make the development feasible. This adjustment is not surprising in light of the economic uncertainties associated with the development of Telkwa coal and general industry conditions that have prevailed over the last decade or more.

In his analysis of Telkwa coal development prospects, independent mining analyst Bartek notes that notwithstanding indications in 1985 by Shell Canada, the former owner of the Telkwa mining property, that the company was assessing the possibility of initiating project development, by 1991 "the company had completely ceased its involvement in western Canadian coal production by disposing of its entire coal business... This decision was most likely to have been based on the prolonged state of market depression and its poor economic outlook as was apparently reflected in the investment performance of the company's Line Creek Mine and the difficulties experienced by other export coal producers in the region."<sup>28</sup>

Bartek in his analysis of the development prospects of Telkwa Coal, an exclusive export commodity, provides the following observations and findings on the state of the industry in western Canada generally and northeastern British Columbia specifically. In doing so he places Telkwa coal in a regional and industry-wide context coal export producers:

From a resource point of view, the extensive geological occurrences of coal make it one of the most abundant minerals in the world. Even though only a small proportion of the total resource base is considered economic and classified as a mining reserve, for the past two decades this subset has been sufficiently adequate in satisfying the increased level of global coal consumption.

Provided there are few barriers to investment and trade, there is no scarcity basis that will inhibit coal production from expanding to meet rising global consumption in the foreseeable future. Since export prices are higher than

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<sup>27</sup> Manalta Coal Ltd., *Telkwa Coal Mine, Project Concept.*, October 1996.

<sup>28</sup> Thomas Edward Bartek, *Telkwa Coal Project Analysis*, May 10, 1999, p 15.

domestic ones, the increased incentive to export coal also results in high levels of producer competition.

Despite the growth of seaborne traded coal in recent decades, a prominent feature of this market has been the persistence of low prices and poor economic returns on investment. This structural condition is primarily the result of mine production over capacity that has prevented prices from rising to a level where the majority of the industry can fully recover capital costs and earn a risk compensated return.<sup>29</sup>

In addition to the downward price driver of overproduction is the collective bargaining power of the Japanese coal market that has had the effect of ensuring highly competitive coals prices. Together with non-Japanese market forces, the trend for export coal pricing has been fiercely competitive. As Bartek observes, the general result has been low prices, which directly effect mining operations.

Low prices also induce cost reduction pressures in the form of purchasing larger replacement equipment, the application of new technology, and through marginal increased in operating scale. As this occurs on an ongoing basis throughout the industry, competition ensures that increased operating margins resulting from cost reduction will only be temporary. In order for price to rise to an economic level, the supply of the market will require the elimination of high cost production in sufficient volume that allow mine capacity to match consumption.<sup>30</sup>

This brief overview of the Telkwa Coal project concept and the state of the western Canadian export coal industry raises important questions regarding the long-term viability of the project and the uncertainties and potential local instability associated with the project. It also raises issues with respect to the capacity of local communities to effectively manage economic uncertainties and instability that are induced into their local economy by an industry that is characterized by highly competitive and powerful global market forces and by companies that are extremely vulnerable to such forces.

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<sup>29</sup> Thomas Edward Bartek, *Telkwa Coal Project Analysis*, May 10, 1999, p 116.

<sup>30</sup> Thomas Edward Bartek, *Telkwa Coal Project Analysis*, May 10, 1999, p.16.

## **Assessing the Costs and Benefits of Telkwa Coal**

### **Economic Transitions – The Opportunity to Choose**

Economic transitions are difficult for communities and their economies. They inevitably produce winners and losers in the course of fundamental economic changes that are beyond the control of many local communities, as sectors decline, companies and businesses close, and workers are laid off. In these circumstances, economic determination leaves little or no room for local intervention.

In other circumstances, some communities can make choice to steer a particular course through the seas of change and weather economic upheaval. But this also produces winners and losers, in the short term as well as over the long term for younger and future generations, as the consequences of these choices bear down on the community that made them. The distinction and merit of this circumstance, is that these communities – and the Bulkley Valley communities are included - at least have a choice, however modest their influence, to shape the course or the effect of the economic transition they are embarked upon. Weighing and making these choices is in the end a community responsibility as well as an opportunity to define “what’s right” and “what’s best” for the community good.

The relative diversity of the region’s economy has cushioned the Bulkley Valley communities from the some of the impacts associated with the decline in the forestry sector. However, in a period of economic transition and fundamental long term structural change, it remains to be seen whether this diversity today is a temporary reprieve, a stop-gap measure, or a means for building greater economic diversity, improving community capacity, increasing community control, and enhancing local economic self-reliance – all of which are about reducing the vulnerability of the Bulkley Valley to those external economic forces that the community cannot control.

It is in the context of communities in transition – with no predetermined economic outcome – that the costs and benefits of the Telkwa Coal project must be considered. As more is learned about the project, the discussion and the questions and issues that follow may shed more light on how the Bulkley Valley communities could be affected if the development proceeds.

### **Community Self-Assessment**

Along with the socioeconomic circumstance for the Bulkley Valley discussed above, the draft Community Economic Development Strategy for Smithers provides a helpful framework for considering the Telkwa Coal proposal.<sup>31</sup> In many respects it represents a community self-assessment of what one Bulkley Valley community values most, what it

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<sup>31</sup> *Community Economic Development Strategy, Draft*, June, 1998.

perceives as its economic strengths and weaknesses, and what it views as economic opportunities and threats.

The draft Smithers community economic development strategy is indicative of a level-headed perspective on the community's economic circumstance, consistent with the data and information that has been reviewed earlier:

... while the economy in Smithers is still relatively strong, the situation with the forest sector is troubling. Events such as the Skeena Cellulose restructuring, poor commodity markets and the Asian economic crisis have all had downstream effects on forestry companies and contractors in the Smithers area. Unless markets improve and the cost of doing business in BC is addressed, it is likely that the forest sector will continue to perform poorly and this will impact on employment and income levels in Smithers.

Smithers economic diversity was identified as the reason we are able to weather the economic downturns better than most other communities. Statistics reveal that Smithers economic base is strong in sectors such as retail, personal services, health and government services, although forestry is still the mainstay.<sup>32</sup>

The strategy includes among its “major findings”<sup>33</sup>:

- ∞ The high value that residents place on the quality of life they have in Smithers and in seeing it maintained
- ∞ The need to continue efforts in diversifying the community's economic base
- ∞ The need for a sustainable forest industry with more value-added forest enterprises and silvicultural activities
- ∞ The view of tourism as a promising sector for economic diversification
- ∞ The need to maintain the integrity of the natural environment in the valley and protect the wilderness areas that contribute to the quality of life Smithers offers
- ∞ The need to recognize the needs of lower income people
- ∞ The need to address youth issues

Some of these findings are both community attributes as well as indicators of a course of sustainable development the community wants to pursue. Indeed the draft strategy incorporates them into a proposed community vision.

The strategy also raises concerns and identifies a number of perceived and potential threats with respect to the future development of Smithers<sup>34</sup>:

- ∞ The continuing level of high unemployment in the area generally, particularly for youth
- ∞ The reliance on forestry as a major vulnerability

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<sup>32</sup> Ibid., p ii.

<sup>33</sup> Ibid., pp. 6-7.

<sup>34</sup> Ibid., pp. 21, 24.

- ∞ Contrary views on economic development: Anti-development attitudes alongside of attitudes of growth at any cost
- ∞ The pace of economic growth and concerns of too much growth too fast
- ∞ Environmental concerns associated with the Telkwa Coal project
- ∞ The inability to train and re-train the labour force for the “new economy”
- ∞ The viability and/or long term sustainability of the community’s present structure of economic dependencies

The draft Smithers Community Economic Development Strategy represents a concerted effort by a community to chart a course in a time of change, when it is perceived that the old economic model no longer works to the well being of the community. In its *Economic Framework for Sustainability*, as referenced above, the BC Round Table called on the citizens of British Columbia to engage in discussion and action to accomplish the transition from a narrow resource based economy to one based more on knowledge and services. The Smithers community development strategy is a good indication of a community attempting to do just that.

## **Weighing the Costs and Benefits of Telkwa Coal**

This said, we turn to a discussion of some of the potential socioeconomic costs and benefits to be considered in weighing the costs and benefits associated with the Telkwa Coal proposal. This discussion is organized around several topics that attempt to encapsulate the various findings and concerns identified in the community development strategy, as well as those that have emerged in our summary of Census data and the Bulkley Valley LRMP.

### *Sustainability*

Sustainable development is attractive to communities like those of the Bulkley Valley in that it implies relative long-term social and economic stability and well-being as distinct from economic growth which tends to limit itself more narrowly to a quantitative increases in productive values. The experience of many resource communities that have simply looked at their community’s economy in terms of economic growth is that rather than being continuous, development is highly episodic – driven by a series of economic projects and events that ideally have the net effect of increasing the quantitative value of the economy as measured in the total value of goods and services produced (Gross Domestic Product), but in reality are no guarantee of a job, a steady income and an acceptable quality of life that can be maintained. Since the second world war, it is only in the last decade that the notion of continuous economic growth has given ground, once again, to the companion ideas of economic recession and depression; in other words an economy that is subject to swings between “good times” and “bad times”, “boom” and “bust”, and economic peaks and troughs.

The definition of sustainable development is not as important as the suggestions it offers about how we could think about development in a manner that encourages development

that is appropriate to the kind of community and economy that people desire. It is a departure from the more restrictive notion of economic growth that tends to measure the value of anything to an economy as a set of quantitative increases in product output and the overall value of market transactions, as distinct from what fundamentally matters to people.

Economic growth may complement sustainable development, if the former is fundamentally grounded in the principles associated with the latter. Sustainable development endeavours to achieve dynamic “steady states” (not stagnation) in economies that maintain the quality of life that people seek, and in doing so, offsetting the more extreme economic swings between quantitative gains and losses narrowly associated with economic growth models.

The BC Round Table on the Economy and the Environment has encouraged such an approach to development - one that nestles the consideration of opportunities for economic growth in the broader context of sustainable development. To this end they have suggested the following principles in considering whether or not an economic activity or opportunity contributes to the sustainability of a community’s economy and social life<sup>35</sup>:

- ∞ Limit the impact on the living world to stay within its carrying capacity.
- ∞ Preserve and protect the environment.
- ∞ Hold to a minimum the depletion of non-renewable resources.
- ∞ Promote long-term economic development that increases the benefits from a given stock of resources without drawing down on our stock of environmental assets.
- ∞ Meet basic needs and aim for a fair distribution of the benefits and the costs of resource use and environmental protection.
- ∞ Provide a system of decision-making and governance that is designed to address sustainability.
- ∞ Promote values and actions that support sustainability.

Based on the application of these principles across the province, the BC Round Table concluded that the province in the 1990s was carrying a serious “sustainability deficit” – trends in forest inventories, income, labour force skills, and environmental indicators that could not maintain the social and economic well-being of the province.

In the Bulkley Valley, it is evident from Census and other data, that the region has a debt to pay in revitalizing, many of the human, natural and environmental resources upon which the region’s quality of life depends.

In this context, and on the basis of Telkwa Coal’s limited project proposal (at this time), on the face of it, there appears to be very little that Telkwa Coal can contribute to repaying this debt. To be sure, there is nothing inherently sustainable about mining – it is

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<sup>35</sup> British Columbia Round Table on the Environment and the Economy. Economy Task Force, An Economic Framework for Sustainability, May 1993, p. 19.

a non-renewable resource. Neither, however, is there an indication that the benefits that might flow from the project, as described in the project concept – direct jobs and wages, the procurement of local goods and services, and the maintenance of environmental quality - are sustainable in the context of the Bulkley Valley's current economic circumstance.

These benefits are considered individually below, but the key consideration for each of them is this: does the Telkwa Coal project contribute anything to restoring or reinvesting in human resource development, and employment opportunities? or does it continue to draw down on the current level of human and natural capital of the region without returning anything to the region's economy that provide it with assets (human and natural) that it can carry beyond the life of the project and utilize to further the future development of the Bulkley Valley communities.

Some will suggest that such questions are unfair and short-term guarantees that meet immediate and pressing needs cannot be traded off against longer term possibilities and intangibles - that "a bird in the hand is worth two in the bush."

Again, the BC Round Table on the Economy and the Environment advises caution in weighing short-term and long-term benefits and trade-offs: "Without a widespread commitment to sustainability principles, there will be a tendency to defend short-term economics at the expense of long-term environmental and social needs."<sup>36</sup>

Such choices need to be carefully weighed in considering the prospect of Telkwa Coal, in that over-commitment to short-term opportunities can seriously compromise and possibly preclude other long term options that enable the Bulkley Valley to build more sustainable and durable local and regional economies.

It is entirely predictable, that in a period of economic transition, pressure will be brought to bear in support of unrestrained resource use generally, and the "need" for Telkwa Coal specifically, since there will be a tendency to rely on Telkwa Coal to make up the region's economic shortfall – although generally it may not be as great as perceived, given gains in other sectors that have been undervalued in the past. This pressure is difficult to resist because we have come to treat our natural resources as a source of capital that we can continue to draw down, although the Bulkley Valley LRMP takes some steps to address this.

This is not to say that the traditional resource sector generally, and mining specifically cannot contribute to the wellbeing of the Bulkley Valley. But in determining the costs and benefits of each project, the political commitments and financial investments that communities make to support them must be carefully considered as well. They may well divert scarce public resources from areas that offer superior long-term prospects for community well-being, growth and sustainable development.

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<sup>36</sup> Ibid., p.6.

### *Economic self-reliance and vulnerability*

As discussed above, economic dependency is a feature of the world trade system, and the Bulkley Valley's resource exports, like timber and minerals, are very much a part of that system. There is nothing inherently wrong or bad about that – but, again, it is a question of balance – what measure of control and self-reliance do Bulkley Valley communities promote and foster through investments in other sectors of their local and regional economies?

Economic dependency tends to coerce participation even if the result is net loss. This is the historic experience of most resource dependent communities; it is the history that has contributed to the sustainability deficit that most resource dependent communities are in today.

The Telkwa Coal project concept provides no measures or benefits that will contribute to enhancing self-reliance and reducing dependency in the Bulkley Valley. It may contribute to the economic growth of the region; but it will also perpetuate the dependency that many in the Bulkley Valley have indicated they want to address, unless other measures are taken: from outright rejection, to unique terms and conditions that are directed at enhancing self-reliance in other economic sectors, to initiatives in other sectors (diversification) that will reduce the overall economic influence (and dependencies) associated with mining.

Dependent communities are disrupted by economic forces over which they have little control, and it should be readily apparent that the economic forces that affect the viability of Telkwa Coal are far beyond the reach of the Bulkley Valley: unstable commodity prices, over supply, interest rates and the strength of the Canadian dollar.

In human terms, the net cost of economic dependency at best is uncertainty, and at worst demoralization as ties and values at the heart of a community dissolve as individuals and families remain strapped into a seat on an economic rollercoaster which they feel they must endure until the end of the ride. It is hard to break out of dependency without help and resources to convince individuals and communities that they can make other choices, that they can become self-reliant and that there are real benefits in becoming so.

There are degrees of control and self-reliance, and the Bulkley Valley communities will need to assess their own capacity in these respects as it will define their own relationship to Telkwa Coal, its desirability, and their response to its benefits and costs. Self-reliance is more than an individual affair; it is more than the size of one's paycheck; it is more than economic individualism. It is also a family and community affair that entwines individuals in a mutually supportive and complementary fashion. Communities that consist of individuals with a range of skills in both families and the community at large that tend to complement one another, will enjoy the benefits of cooperative advantage, and avoid the tensions and desperation (as individuals, families and communities) of striving for or maintaining competitive advantages. Fostering mutual self-reliance



throughout all levels of the community, as Ekins has observed, “releases human resources and creativity unimaginable in a relationship of dependency.”<sup>37</sup>

Greater self-reliance of course lies at the heart of self-determination. It enables communities and their governments to not only fulfill their own goals, but to play a stronger and more constructive and a more confident role in working with and responding to projects like Telkwa Coal and the wider world outside, notwithstanding the economic forces that may face and may be forced to weather.

### *Stability*

In defining their relationship to the Telkwa Coal proposal, the Bulkley Valley communities need to reconsider the significance and place of mining in the region’s economy, indeed in the province and outside as well.

Traditionally, mining, like oil and gas, and forestry have been referred to in Canada as “primary industries,” that is they have been viewed as representing the traditional “economic base” of most North American economies in that because they are export oriented, they bring new money into these economies. In contrast, service industries have often been viewed as “secondary industries” and are associated with circulating existing wealth, not creating new wealth.

In the last decade there has been a fundamental shift in the contribution of these primary and secondary sectors in the Bulkley Valley’s economy, not unlike what is occurring in many other parts of North America. Economic declines in jobs, total sector income growth, and the total sector value of goods and services as a percentage of the total GDP have been offset to a considerable extent by significant gains in the service sector and by the increased participation of women in the labour force working in these sectors.

Public perceptions, however, have been slower to change. The result is that public policy, public investment and public support for the service sector has lagged behind the shifting economic realities. There are several important points to be made here: first, many services are export oriented including trucking, research, education, tourism, mail order, professional services and other knowledge-based services. Second, the service sector includes both low paying and high paying occupations from chamber maids and waiters, to truckers and mechanical repair people, to lawyers and doctors. Third, and importantly, some services, although they themselves do not generate new wealth through export, in circulating money with local and regional economies, as opposed to having it “leak out” in order to purchase these same services from outside to fulfill local basic needs, continue to support and to sustain local businesses and workers.

This last point is especially important in that it recognizes the important and legitimate role that public services can and do play in the Bulkley Valley economy. Public services fulfill basic needs, and if these needs can be fulfilled by local agencies, organizations and

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<sup>37</sup> Paul Ekins, *Local Economic Self-Reliance*, A Paper Based on a Talk to the Entropy Society at Ryukoku University, Kyoto, Japan, November 22, 1987, p.12.

businesses, they then contribute, in an important respect, to the self-sufficiency of the region.

In this context, Telkwa Coal carries the status of an economic actor that may contribute to the economic growth of the region, but the significance of this contribution should reflect the contemporary reality of the Bulkley Valley economy, not misleading or false perceptions of what once was. Nor is this to understate the importance of the region's resource industries. The challenge is to define their place in the overall economy and what contribution they can make to the sustainable development of the Bulkley Valley. The BC Round Table observed in its framework for economic sustainability that:

The existing resource industries will remain major elements of the provincial economy, especially in non-urban areas of the province. Particularly important in the export arena, these resources are a principal source of wealth generation and life support for British Columbia, providing a high proportion of jobs, personal incomes and government revenues. Properly nurtured, they can contribute significantly to economic well-being and long-term sustainability.<sup>38</sup>

Notwithstanding the continued importance that natural resources will retain into the foreseeable future, the Bulkley Valley's economic trend data (reviewed above) strongly suggests that increased volumes of extracted natural resources are unlikely to be the drivers of expanding employment and income. Additional income and jobs will be generated in the future outside of this sector and underscores the need to diversify the regional economy and to invest in such a diversification.<sup>39</sup>

Again, the Bulkley Valley communities must consider Telkwa Coal and its associated costs and benefits from this perspective, and whether support for the project will produce the desired results from the public investment in time, effort and money required to bring it into development.

### *Diversification and Growth*

Economic growth or economic expansion in the context of economic diversification, according to some economists, "...can mean increased economic opportunities and a wider choice of jobs than in the days when the mines and lumber mills were the only

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<sup>38</sup> British Columbia Round Table on the Environment and the Economy. Economy Task Force, An Economic Framework for Sustainability, May 1993, p. 13.

<sup>39</sup> Province-wide, the BC Round Table noted that "The most striking change is the growing role of the service sector relative to the natural resource industries. Specifically, services increased their share of employment between 1971 and 1989 by 13 percent to 74 percent of total employment, while the share of resource industries... and agriculture and food... has declined by more than 25 per cent, to 26 per cent of total employment." Ibid.

games in town. Growth means more choices, and a move away from the “boom and bust” cycles of resource extraction.”<sup>40</sup>

Consideration of the costs and benefits of the Telkwa Coal project in the context of a regional economy that is illustrating signs of diversification is accompanied by some comfort that there have been increasing alternatives in the Bulkley Valley communities to mining and forestry jobs. At the same time this can create difficult choices for communities faced with weighing the relative merits of natural landscapes that generate mining jobs and incomes (as with Telkwa Coal) against the generation of more jobs and incomes over the longer term by providing natural resource amenities in the form of clean water, pristine wilderness, scenic beauty and abundant fish and wildlife. In this context, the real debate in the Bulkley Valley today may no longer be “jobs versus the environment”, but, as some economists put it: “jobs versus jobs”<sup>41</sup> – the tension between the benefits and value-added associated with Telkwa Coal and the mining industry on the one hand and businesses and industries on the other that depend on the region’s attractive environment.

Economic diversification implies economic heterogeneity, development options and having to make choices – choices that aren’t available to the single industry town. For the Bulkley Valley communities it means having to allocate natural resources between competing land uses<sup>42</sup> and public funds to support education, training, and infrastructure between those sectors and those projects that in the past have provided the bulk of the regions economic opportunities and those that are emerging. Telkwa Coal presents the need for the Bulkley Valley communities to make concerted choices that include Telkwa Coal and other economic opportunities in order to strike the balance that is appropriate to an economy in transition – a choice that doesn’t turn back the clock or prematurely run it out. At this juncture, for the Bulkley Valley communities not to make well considered and concerted economic choices is to sacrifice some of the very control that the communities have achieved with economic diversification.

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<sup>40</sup> A Consensus Report by Pacific Northwest Economists, *Economic Well-Being and Environmental Protection in the Pacific Northwest*, December 1995.

<sup>41</sup> Ibid., p.14.

<sup>42</sup> “Transition measures in the tourism sector should focus on ensuring that tourism operators who have the potential to develop and grow, thereby diversifying the local economic base, can turn the LRMP to their advantage without having to persistently confront land use conflicts that inhibit development.” Crane Management Consultants Limited, *Socio-Economic Analysis. Bulkley Land and Resource Management Plan*, July 1996, p. 26. In 40

<sup>42</sup> “Transition measures in the tourism sector should focus on ensuring that tourism operators who have the potential to develop and grow, thereby diversifying the local economic base, can turn the LRMP to their advantage without having to persistently confront land use conflicts that inhibit development.” Crane Management Consultants Limited, *Socio-Economic Analysis. Bulkley Land and Resource Management Plan*, July 1996, p. 40.

### *Employment Prospects and Choices*

Initially Telkwa Coal in its project concept advanced the prospect of about 120 jobs associated with the mine's development. This was subsequently revised upwards to approximately 217 jobs as annual production levels were increased to 1.5 million tonnes of coal per year and the life span of the mine decreased to 20 to 23 years. According to the Manalta Coal, the owners of Telkwa Coal in 1997, these revised operating projections were required in order to make the operation economically feasible.

It is well known that Telkwa Coal has struggled over the life of the project to achieve feasibility. Fluctuations in commodity prices will continuously bring pressure to bear on production costs, of which labour is one cost. The ability of the industry to maintain relatively high average wages has been achieved through mechanization and the simple fact that fewer people are needed to get a job done. Measures to cut production costs in the future will inevitably bring direct pressure onto wages as the limits to mechanizing operations cost-effectively are reached. But the most important issue here has less to do with how much workers are making, and more to do with whether or not mining in the Bulkley Valley represents a solid long term prospect for employment growth.

This is an important question for the Bulkley Valley communities. Especially for resource industries and projects that are operating on the margins of economic feasibility, are public subsidies warranted to stimulate local employment when the industry-wide opportunities are diminishing?<sup>43</sup> This is the jobs versus jobs issue referred to above. If the resource sector generally, and the mining sector specifically is employing fewer people per unit of output, and if high paying jobs in mining are increasingly difficult to find, does it not make sense to consider shifting public investments into knowledge-based enterprises and the service sector through human resource development and infrastructure development in these areas?

Wise use of natural resources means that the resources are used in the manner that has the highest sustained value. It does not mean giving preference to one industry or group so that the resources go to a low-value use rather than one that has a higher value. Giving preference to low-value uses will result in fewer jobs and lower incomes... In many instance, the highest value use of a forest, river, or other resource will be to protect and enhance it so that it reinforces the region's

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<sup>43</sup> Rasker observes that "In 1995, miners earned \$1002 and forestry workers \$842 in avg. weekly wages. These wages are so high in large part because of extensive mechanization (British Columbia has the lowest number of employees per cubic quantity of timber harvested of any region in the world) and strong industry unions. On the other hand, employment in the so-called primary industries, which includes agriculture, fishing and trapping, logging and mining and oil, has been flat or declining over the last decade. Meanwhile service industries represent the largest and fastest growing employment sector in BC." In Ray Rasker and Ben Alexander, *The New Challenge: People, Commerce and the Environment in the Yellowstone to Yukon Region*, The Wilderness Society, 1997, p.33.

natural environment, because doing so also will strengthen one set of forces that is creating new jobs and higher incomes.<sup>44</sup>

Within the growing service sector there is great variation in wages, however employment in sectors like transportation, real estate and public services that are significant employers in the Bulkley Valley approach or are close to the midpoint for average income for all workers. The service sector, however, has its limitations in the short term for absorbing displaced resource workers in that the income levels of non-skilled service sector workers are far below those of non-skilled resource sector workers. The problem here is that displaced mine workers with a low skill set cannot begin to match their income levels with low skilled jobs in the growing service sector. In the past, high paid resource industry jobs have facilitated social mobility: workers have had the income to fund education for children, invest in business ventures, and move to communities with better infrastructure. With shrinking jobs opportunities in the resource sector, well paid mining jobs will be harder to come by putting greater pressure on unskilled workers to find employment at comparable income levels that simply aren't available to them. Unless these individuals, as well as young people and new entrants to the job market are adequately trained or retrained well paying new opportunities in the service sector may be unattainable.

Generally it is a national trend that those with less education are seeing their earnings shrink compared to those with higher levels of education, skills and experience. This situation will be exacerbated in the Bulkley Valley where low skilled workers in the resource sector will find higher income jobs increasingly difficult to come by in sectors like mining, and with inadequate education and skill to capture employment opportunities at comparable income levels in other economic sectors.

Employment prospects with Telkwa Coal – whether there are 120 or 200 jobs will not alter this reality – they may postpone the stark reality of it for a small group of people in the labour force, who are fortunate enough to capture these, for another decade. The question for the Bulkley Valley communities is: does it make sense to invest in workers in a project where the economic feasibility appears marginal and the industry-wide returns and opportunities are diminishing?

If communities want to enjoy increased jobs and incomes over the long term, they must support actions that enhance the region's ability to attract and retain new economic activity that can carry longer term sustainable benefits.

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<sup>44</sup> A Consensus Report by Pacific Northwest Economists, *Economic Well-Being and Environmental Protection in the Pacific Northwest*, December 1995, p.10.

## Forward or Back to the Future

The BC Round Table on the Economy and the Environment has suggested that the process of making economic decisions for sustainability should have three characteristics<sup>45</sup>:

**Integrative:** Social, environmental and economic aspects of a proposal should all be considered. One of the problems with traditional decision-making has been the absence of environmental and social factors in the process.

**Anticipatory:** Sustainability requires us to anticipate changes and to plan how to best deal with them. Long-term considerations should be borne-in-mind, not merely the urgency of immediate problems.

**Participatory:** Everyone affected by a decisions should be appropriately involved in making that decision and accepting responsibility for it.

These are considerations that typically have not been part of decisions about project proposals.

In considering the costs and benefits of projects like Telkwa Coal, the Bulkley Valley communities need to consider that the forces their economies are experiencing today are not typical of the boom and bust cycles of the past. The relative merits of Telkwa Coal and fluctuations in the region's economic circumstance will not simply improve or reverse themselves on the next upswing of mineral prices. There are more profound sweeping economic changes sweeping the region's economy and that affect the role of natural and human resources and the social fabric of Bulkley Valley communities.

The choices facing the Bulkley Valley communities are significant ones, and they will require everyone to weigh the prospects of Telkwa Coal in a new light. This involves new thinking. It involves thinking long term. It involves questioning project "benefits" and considering whether these benefits contribute to the sustainability, stability and self-reliance of local communities or whether they undermine such attributes and are run counter to their achievement. In short, it comes down to choosing between reliving the past or making a progressive and deliberate transition to a different type of economy.

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<sup>45</sup> British Columbia Round Table on the Environment and the Economy. Economy Task Force, *An Economic Framework for Sustainability*, May 1993, p. 12.