

Quesnel Community Report:

A media analysis of recent events associated with forest industry mill closures

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This community report is part of a larger project on “Community response to forestry transition in rural Canada.”

The project is funded by the Social Sciences and Humanities Research Council.

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Community Report: Quesnel

Overview

Until early 2009, despite a severe downturn in the forest industry, the community of Quesnel, British Columbia had been able to avoid significant job losses due to mill closures, relative to other forestry dependent communities in British Columbia. Several factors seem to have insulated Quesnel from the forest industry downturn. Beginning with a brief overview of the community's history, this report utilizes news media reports, census data (2001, 2006 Community Profiles), and other secondary sources to more closely examine these factors. A selection of quotations from community members, officials, and concerned parties is also included.

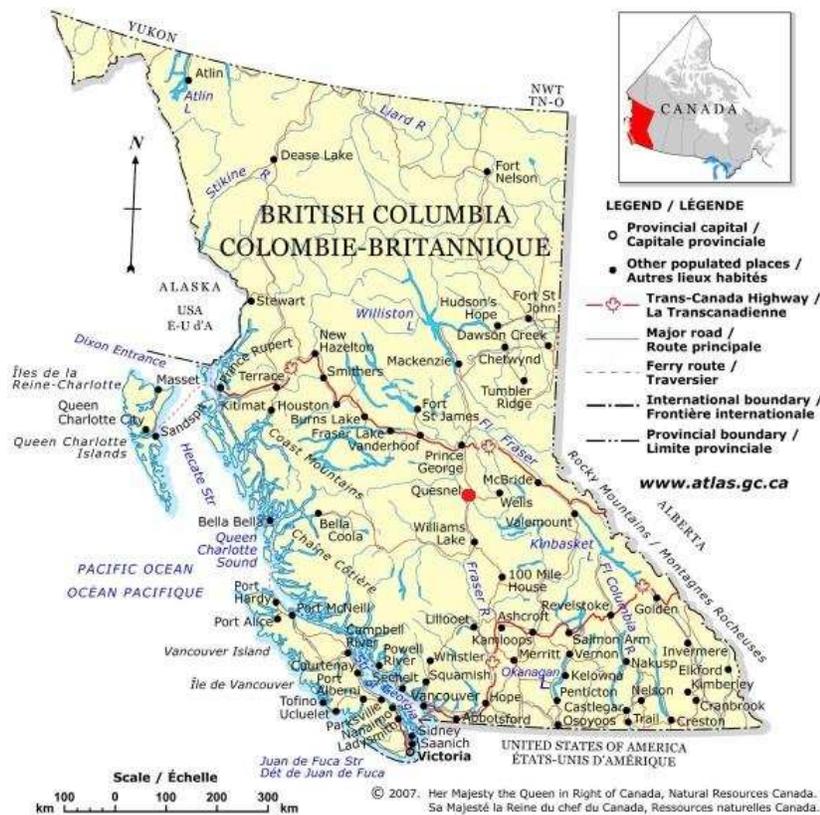


Figure 1 Map of British Columbia. Credit- www.atlas.gc.ca

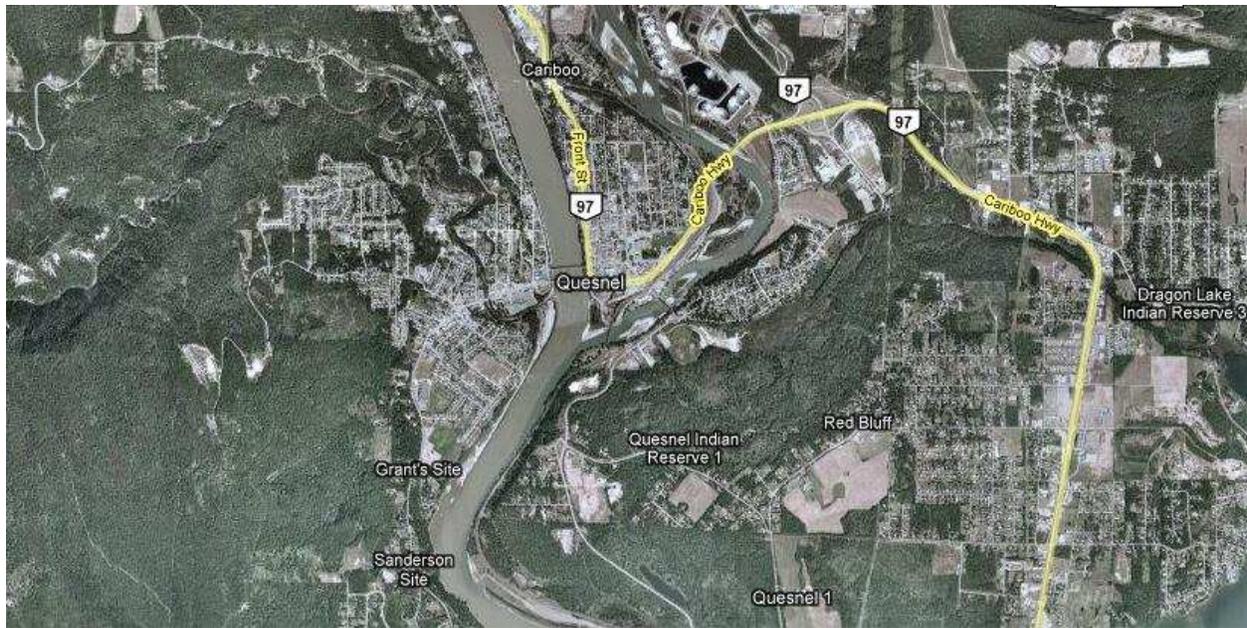


Figure 2 Satellite Map of Quesnel. Credit- Google Maps

Community Description

The city of Quesnel is located at the confluence of the Quesnel and Fraser rivers, in the central interior of British Columbia. Founded in the mid 19th century as a fur trade depot, the community soon became a regionally important centre supplying the Cariboo Gold Rush in the 1860's. The arrival of the railroad in the 1920's was accompanied by an influx of newcomers seeking economic opportunities, and the community enjoyed sustained growth as a distribution centre for the booming gold, coal, quartz and other mining industries.

The forest industry in Quesnel—which would soon come to dominate Quesnel's thriving economy—began to take shape in the 1940's. The Second World War proved a boon to the industry, as Quesnel area birch was used in the manufacturing of plywood for Allied bomber planes. The industry grew exponentially, and Quesnel's industrial area is now home to the most concentrated wood products manufacturing area in North America. One third of Quesnel's labour force works directly in the forest industry, a fact which underlines its vital importance to the city's fortunes.

In part due to volatility in the forest industry, community officials are working to diversify Quesnel's economy in the hopes of creating a more sustainable future. Expanding and seeking new opportunities in the agriculture, tourism, oil and gas, and mining industries are currently on the agenda of officials. As well, Quesnel has ambitions to become a hub of the new bio-economy for environmentally friendly thermal and electrical energy, bio-fuels and bio-refining.

Selected Characteristics

Population Decline

Population declined significantly in Quesnel in the ten year period between 1996 and 2006. Between 1996 and 2001, population in Quesnel declined by 4.6%. Between 2001 and 2006, a further 7.1% decline was reported. During the same time period, the population of British Columbia increased significantly.

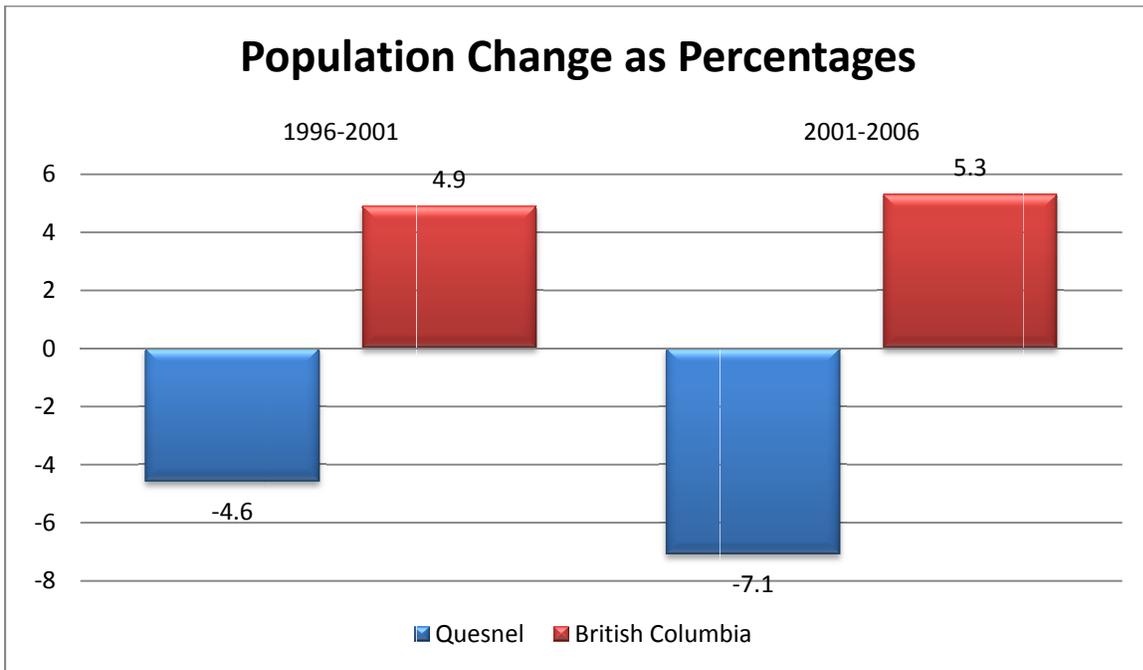


Figure 3 Population Change in Quesnel and British Columbia as Percentages

Unemployment

Unemployment rates in Quesnel declined between 2001 and 2006 from a high of 13.4% to 9.9%. The decrease reflected a general trend towards lower unemployment rates in British Columbia during this time period. Additionally, the unemployment rate in Quesnel appeared to be decreasing at a greater rate than the provincial average.

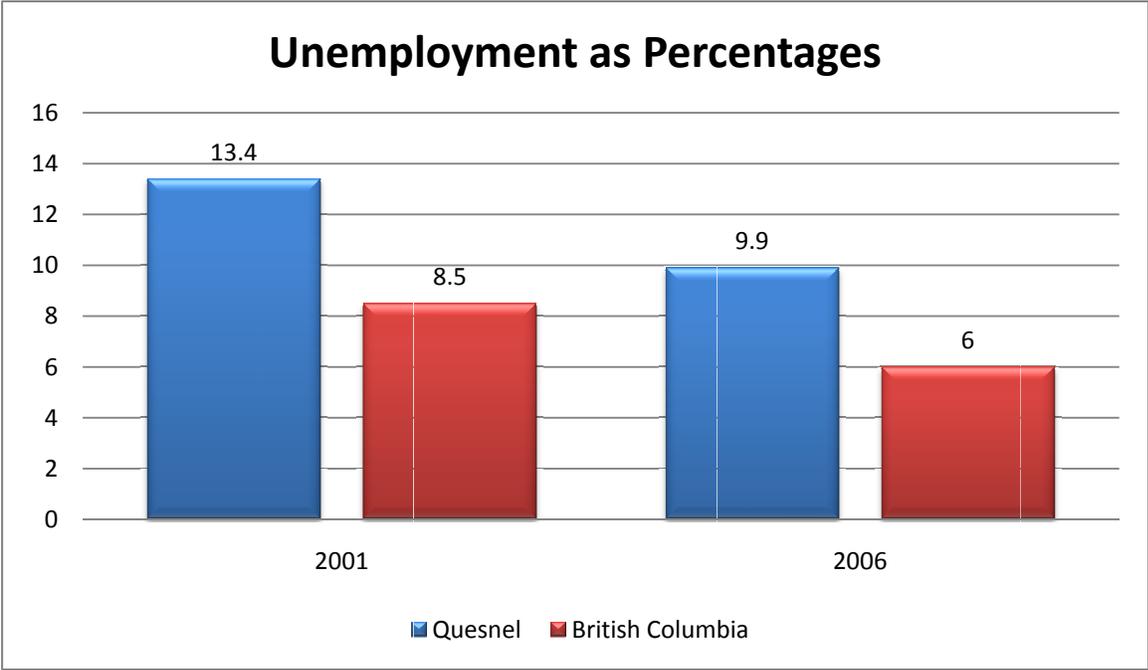


Figure 4 Unemployment Rates in Quesnel and British Columbia as Percentages

Employment by Industry

As in other resource dependent communities, employment in Quesnel is highly dependent on the forest sector, either directly in the form of manufacturing and construction jobs, or indirectly in the retail, wholesale, and supporting services sectors. While population declined in Quesnel between 2001 and 2006, the distribution of employment by industry remained heavily concentrated in the forest sector.

Employment by Industry: 2001

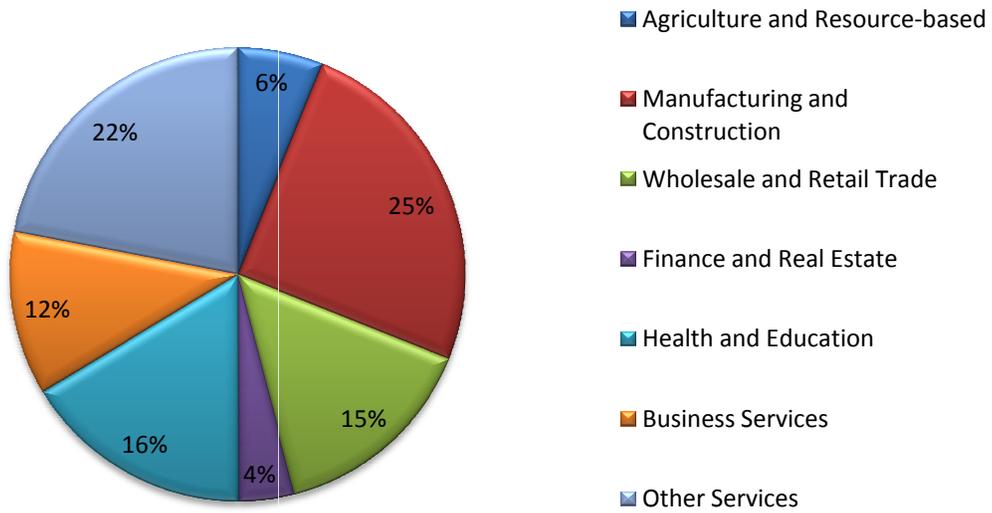


Figure 5 Employment by Industry, Quesnel: 2001

Employment by Industry: 2006

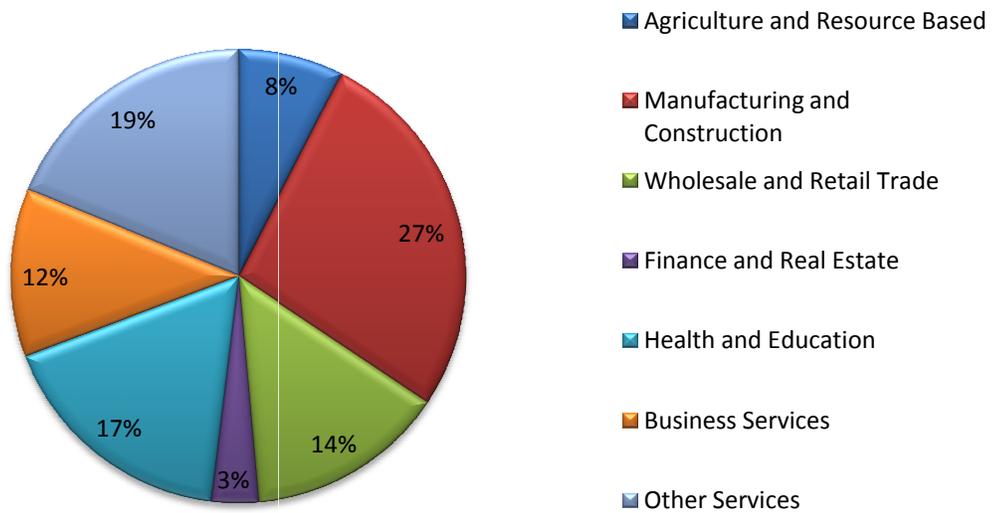


Figure 6 Employment by Industry, Quesnel: 2006

Media Analysis: Impact of Forest Industry Downturn, Quesnel

In the city of Quesnel, negative economic impacts related to mill closures and job losses in the forest industry to date appear not to have been as extensive as those of other forestry dependent communities. Until very recently, layoffs in Quesnel due to the forest industry downturn numbered only a few dozen. Despite shift curtailments at several area mills and the shutdowns of West Fraser's fingerjoint plant, there were no major closures prior to 2009.

The indefinite closures of Tolko's Quest Division lumber mill and West Fraser's Northstar lumber mill in early 2009 have resulted in a significant number of layoffs—numbering in the hundreds—and several indicators suggest that Quesnel is feeling the effects. The number of residents collecting Employment Insurance has risen 75% since April of 2008, from 800 to 1400. The Quesnel Salvation Army has reported significantly increased usage by residents of its food bank and other family services. Many businesses have reported a decrease in profits.

However, while the full impact of the mill closures and job losses may not have yet been felt, many sources seem to suggest that Quesnel is, relative to other forestry dependent communities, well equipped to weather the currently volatile conditions in the forest industry. Industry analysts, government and community officials, and other concerned parties have identified several attributes which may allow Quesnel to emerge from the forestry crisis with comparatively less hardship than other forestry dependent communities. An examination of these factors is the focus of this report.

Efficient Production and Low Cost Manufacturing

Efficiency of production and a low cost manufacturing base have allowed Quesnel industries to remain competitive during the forestry downturn. The city is centrally located in its timber supply area—timber that is known to be of exceptionally high quality although the looming pine beetle threat is a concern—allowing for reduced lumber hauling costs. The highly concentrated nature of Quesnel's wood products manufacturing area allows for a large degree of production integration. Additionally, Quesnel enjoys one of the lowest electricity rates in North America, as well as strong transportation links.



Figure 7 West Fraser Timber, Quesnel, B.C. Credit-www.cbc.ca

The presence in Quesnel of West Fraser Mills' operational headquarters has likely contributed to the efficiency of its area mills, in that such proximity allows management to more quickly identify and remedy operational problems and inefficiencies. Moreover, West Fraser and other forestry corporations operating in Quesnel have continually reinvested profits in order to increase the efficiency of their operations. As a result, the job losses in the Quesnel forest industry, in general, have not been due to inefficiency or lack of resources, but rather due to a lack of markets for the resulting product.

Education and Training Infrastructure

A well-developed industry focused education and training infrastructure has provided Quesnel with a knowledgeable, skilled workforce. The Quesnel School Board offers an award winning wood technology program at the high school level which allows students to participate in running a wood products manufacturing business. More advanced training can be obtained at the College of New Caledonia's various technical programs, or at the Wood Enterprise Centre, an award winning shared use wood manufacturing centre. The University of Northern British Columbia also maintains a campus in Quesnel. These institutes have helped displaced workers adjust and transition to new careers during the current forestry downturn. Additionally, Quesnel's educational institutions provide jobs outside of the resource economy and facilitate the retention of area youth.



Figure 8 UNBC's Quesnel Campus Atrium. Credit-www.unbc.ca

Strong Economic Development Efforts

An analysis of media reports suggests that Quesnel community officials are a forward thinking and business minded group of individuals. City council and its subsidiary, the Quesnel Economic and Community Development Corporation (QECCDC), has been quick to take advantage of provincial and federal government funding for various community and economic development projects, with the goal of diversifying Quesnel's largely single industry economy.

Towards this end, community officials have identified opportunities for investment in several key sectors including bio-energy, oil and gas, mining, agriculture, and tourism. These efforts are aimed at ensuring the long-term sustainability of the city of Quesnel, and have recently begun to pay off. For example, in April 2009, it was announced that Quesnel would receive \$4.1 million from the provincial government's Innovative Clean Energy fund. The funds will be utilized to support a proposed \$13.4 million green energy system that would utilize existing industrial sources of heat to generate heat and electricity for downtown facilities. Community officials hope that the project will eventually lower operational costs, reduce emissions, attract further investment due to improved infrastructure, and garner attention for Quesnel as a green energy community.

Untapped Resources

Quesnel's proximity to major mineral deposits has also been a factor in the city's ability to weather the forest industry downturn. The nearby Gibraltar copper and molybdenum mine reopened in 2006 and in mid 2008 implemented a \$350 million plan to up production. Many Quesnel service and material providers and fabrication and welding shops that formerly serviced the forest industry have made the transition to servicing the mining industry. Quesnel officials have stated that direct spending in Quesnel by Gibraltar mines runs into the millions, and that as many as 60 families are supported by lucrative jobs at the mines. Another mining project, dubbed Prosperity, that could create upwards of 2000 jobs in the Cariboo region is currently undergoing an Environmental Impact Assessment.



Figure 9 Gibraltar Mine Site. Credit- www.leg.bc.ca

Moving Forward

Thus, it seems that Quesnel is well situated to weather the current forestry crisis. While the community has certainly not been unscathed by the downturn, media reports and other secondary sources suggest that Quesnel possesses a unique mix of attributes which should allow the city to succeed in spite of the current economic conditions.



Figure 10 Fraser Walking Bridge, Quesnel B.C. Credit-www.flickr.com/1407

Selected Quotations

"It's a logical step that communities that have a special physical and historical connection with the land base should have a special relationship with it...If a city or town has provided infrastructure and base operations for a vibrant workforce, then when change comes to the forest industry, local government must be treated as a true partner." Former Mayor Nate Bello, speaking on behalf of the city of Quesnel at the Working Roundtable on Forestry. 05/07/07. MacDonald, A. Quesnel-Cariboo Observer. Quesnel, B.C.

"We have a symbiotic relationship with the communities near our facilities. As we grow, they grow with us. And there is certainly tremendous opportunity right now." Steve Anderson, representative of Gibraltar Mines, at a networking event hosted by the Quesnel chamber to connect Quesnel businesses with mine representatives. 05/18/08. Anonymous. Quesnel-Cariboo Observer. Quesnel, B.C.

"We've had a long history of minimizing our down time and recognizing that our employees need to have stability in their jobs -- so, that's one of the key things we focus in on...We have a culture of being a low-cost operator during the full cycle -- ups and downs -- if we do that it's

good security for our employees and ensures we maintain a highly-skilled and motivated work force for today and the future," Gary Townsend, president of West Fraser solid wood products, on his company's ability to avoid closures during downturns. 06/28/08. Hoekstra, G. Prince George Citizen. Prince George, B.C.

"At the end of the day, you have to realize this is a cyclical industry and if you don't keep a bit of your powder dry you are going to be sinking under water..that realization has helped them weather these storms," Industry Analyst Kevin Mason, on West Fraser's financial management practice. 06/28/08. Hoekstra, G. Prince George Citizen. Prince George, B.C.

"It is a challenging time for everyone, especially resource based communities, and we need to support each other and all work together to get through this downturn." Quesnel Mayor Mary Sjostrom, on the closure of Tolko's Quest Wood Division. 02/06/09. Macdonald, A. Quesnel-Cariboo Observer. Quesnel, B.C.

"It's depressing really. Not many people want to watch the news. Everyone is trying to figure out how to stay afloat...All we can do though is be patient and try and ride this bumpy wave." Editorial, on the mill closures in Quesnel. 02/10/09. Anonymous. Quesnel-Cariboo Observer. Quesnel, B.C.

"We need to use the couple years to grow a whole new economy," Cariboo-North MLA Bob Simpson, speaking at a workshop for laid off mill workers in Quesnel about the opportunities in the emerging bio-mass sector. 02/20/09. Macdonald, A. Quesnel-Cariboo Observer. Quesnel, B.C.

"We're not going to be in doldrums forever...We need to get re-trained in the new economy." Quesnel Employment Services project manager Bill Roach, at a workshop for laid off mill workers in Quesnel. 02/20/09. Macdonald, A. Quesnel-Cariboo Observer. Quesnel, B.C.

"People here don't sit around waiting for something to happen...This area of B.C. is populated with self-reliant, self-capable people, people of determination, people who survive and prosper through their own genius and hard work... The people here don't give up easy. In fact they don't give up at all." Editorial, on the communities of the Cariboo region. 05/12/09. Anonymous. Williams Lake Tribune. Williams Lake, B.C.

"The city is in a great position looking towards the future and it remains strong, financially and fiscally." Chartered Accountant Ron Rasmussen, presenting his review of City of Quesnel's finances. 05/15/09. Anonymous. Quesnel-Cariboo Observer. Quesnel, B.C.

"It's really tough to say yet how big an impact the economy will have. If we continue in the environment we're in we're going to see more impact...Quesnel is resilient, it's gone through tough times before, but whether we've seen this severe a time I'm not sure." Community Futures client service officer Keith Brookes, on the mill closures in Quesnel. 07/09/09. Anonymous. Quesnel-Cariboo Observer. Quesnel, B.C.

"It's safe to say Quesnel is doing really well." Cariboo-Prince George MP Dick Harris, on the announcement of \$516,000 of government funding for local development projects. 07/16/09. Anonymous. Quesnel-Cariboo Observer. Quesnel, B.C.

Community Statistical Profile 2006

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2006	9326		
Population in 2001	10044		
2001 to 2006 population change (%)	-7.1		
Median age of the population	41.5	40.9	41.9
% of the population aged 15 and over	81.9	80.8	82.7
Total private dwellings	3915		
Number of owned dwellings	2755		
Number of rented dwellings	1160		
Average value of owned dwelling (\$)	140272		
Median monthly payments for rented dwellings (\$)	510		
Median monthly payments for owner-occupied dwellings (\$)	567		
Median income in 2005 - All census families (\$)	67329		
Median income in 2005 - All private households (\$)	54044		
Persons 15 years and over with income (counts)	7005	3385	3625
Median income - Persons 15 years and over (\$)	25894	43783	17982
Immigrants	1070	495	570
Non-permanent residents	35	25	10
Aboriginal identity population	1045	545	505
Total Pop. 15 years+ with a High school certificate or equivalent	2325	950	1370
Total Pop. 15 years+ with a University certificate; diploma or degree	745	330	410
Labour Participation rate	65	72	58.5
Employment rate	58.5	65.3	52.2
Unemployment rate	9.9	9.3	10.7

Community Statistical Profile 2001

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2001	10044		
Population in 1996	10532		
1996 to 2001 population change (%)	-4.6		
Median age of the population	37	36.3	37.6
% of the population ages 15 and over	79.5	78.8	80.3
Total private dwellings	4408		
Number of owner-occupied dwellings	2542		
Number of rented dwellings	1480		
Average value of dwelling (\$)	121160		
Average gross monthly payments for rented dwellings (\$)	548		
Average monthly payments for owner-occupied dwellings (\$)	726		
Median family income; 2000 (\$) - All census families	52372		
Median household income; 2000 (\$) - All Private Households	42412		
Persons 15 years of age and over with income	7275		
Median total income of persons 15 years of age and over (\$)	18504		
Immigrants	1250	590	660
Non-permanent residents	50	35	15
Aboriginal identity population	880	450	435
% of population 20-34 with high school graduation certificate	40.9	39	42.4
% of population 20-34 with university certificate; diploma or degree	16.9	13	22.1
% of population 35-44 with high school graduation certificate	30.6	25.7	34.5
% of population 35-44 with university certificate; diploma or degree	13.4	12.9	13.8
% of population 45-64 with high school graduation certificate	20.4	17.3	23.7
% of population 45-64 with university certificate; diploma or degree	13.2	13	13.6

Labour Participation rate	66.7	73.2	60.5
Employment rate	57.7	63.3	52.4
Unemployment rate	13.4	13.4	13.2

Sources

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