

# RURAL ECONOMY

**Community Response to Forestry Transition in Rural Canada:  
Analysis of Media and Census Data for Six Case Study  
Communities in New Brunswick and British Columbia**

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Project Report #11-01

## Project Report



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**Community response to forestry transition in rural Canada:  
Analysis of media and census data for six case study communities  
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The authors gratefully acknowledge the financial assistance of the Social Sciences and Humanities Research Council in the completion of this project.

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## **ABSTRACT**

The forest economy is in transition across Canada. Faced with high dollar values, increasing competition within the global market, high input costs for energy, labour and fibre, and growing expectations for environmental performance, the forest sector is undergoing significant economic transitions as companies across the country cut costs, close mills and shed jobs. This report contributes to our understanding of community response to mill closure with a detailed description of six case study communities during a period of forest industry mill closures. Three communities are in British Columbia (Mackenzie, Quesnel and Fort St. James) and three communities are in New Brunswick (Dalhousie, Nackawic and Mirimachi). Empirical information is derived from national and local media reports as well as recent data from the Census of Canada. Key thematic areas include resilience, economic diversification, the nature of mill closure, union involvement, government involvement and concerns over government policy changes such as appurtenancy.

JEL codes: R52, R58, Q33

Keywords: media analysis, rural sociology, community development, rural development, social change

## Introduction

The forest economy is in transition. Faced with high Canadian dollar values, increasing competition within the global market, high input costs for energy, labour and fibre, and growing expectations for environmental performance, the forest sector in Canada is undergoing significant economic transitions as companies across the country cut costs, close mills and shed jobs. Currently, the forest sector is one of Canada's largest employers, providing about 340,000 jobs, contributing nearly 3% of GDP, and exporting over \$40 Billion in products (FPAC, 2007). Faced with this so-called "perfect storm" of sector impacts, the tally for mill closures and job losses is mounting. According to one estimate (Table 1), more than 14,000 jobs have been lost at 96 mills across the country (CFS, 2009). Notwithstanding a softwood lumber resolution with the United States, analysts expect this economic transition to continue.

Table 1. Canadian Forest Industry Layoffs by Region, January 2003 to December 2009

	British Columbia	Prairie Provinces	Ontario	Quebec	Atlantic Region	Total
Pulp and paper	3,670	806	6,518	7,529	3,541	22,064
Wood	9,722	2,774	4,337	6,771	1,342	24,946
<b>Total</b>	<b>13,392</b>	<b>3,580</b>	<b>10,855</b>	<b>14,300</b>	<b>4,883</b>	<b>47,010</b>
Distribution	28%	8%	23%	30%	10%	99%

Source: Canadian Forest Service, Industry and Trade Office, 2009.

Although the magnitude of change is significant and the economic consequences to workers and communities are very real, recent research on the history of rural communities reveals a highly tenuous and fleeting relationship between communities and natural resource economies. Davidson (pers. com.) has identified more than 11,000 ghost towns in Canada and her preliminary analysis indicates that most of these rural communities had a relatively short existence (an average of about 60 years). Other research also reveals the somewhat sporadic contribution of resource sectors to the socioeconomic status of rural communities.

In a recent study of Aboriginal communities, for instance, the presence of forest industry activity was found to be anything but stable. From a total of 533 Aboriginal communities in the database, about 20 communities maintained some level of forest sector activity over the 4 census periods (between 1986 and 2001) and 80 communities reported the presence of forest sector activity only once during that time (Parkins et al. 2006). Research with non-Aboriginal communities shows a similar pattern of weakness in the relationship between forest industry employment and community outcomes (e.g. Parkins et al. 2003; Stedman et al. 2004). Within this context, governments and the research community have identified the viability of rural communities as a key challenge for local actors and policy makers in Canada (Epp and Whitson, 2001; Dale and Onyx 2005; Markey et al. 2005).

This project report contributes to our understanding of community response to mill closure with a detailed description of six case study communities during a period of forest industry mill closures. Three communities are located in British Columbia and the other three communities are located in New Brunswick. These six communities were identified as a focus for this study because they have all experienced forest industry mill closures and layoffs in recent years and they have responded to this economic shock in a variety of ways that are helpful to this project.

This particular study is part of a larger national project on community response to mill closure that is funded by the Social Science and Humanities Research Council. This larger project includes more detailed analysis of community response to mill closure in British Columbia, and results from this detailed case study analysis will be available in subsequent reports.

In exploring community response to mill closure in these six communities, our data is taken from national and local media reports as well as recent data from the Census of Canada. These are rich sources of data that offer unique insights into the events, challenges, and responses of communities to economic transition in the forest sector. Research of this nature is often described as “nonreactive” in that those who are being studied are not aware that they are part of a research project and are therefore not in a position to respond, anticipate or react in ways that are more commonly associated with survey research or interview research (Newman, 1994). Although this kind of case study research has clear advantages in terms of availability of data and nonreactive research subjects, there are also clear disadvantages with more limited insight into the experiences and understandings of local residents and local leaders. Notwithstanding these limitations, there are important themes and ideas that emerge from this analysis, and this report provides a summary of these findings.

### **Guiding theoretical frameworks**

This research is set within several preliminary theoretical frameworks. One such framework involves attention to the transition from an industrial order that is defined and organized by a staples economy to one that is defined by a post-staples economy. From the staples economy that makes a fairly clear delineation between core and periphery regions, industrial capital and human capital that is organized around primary industries, and the extraction and export of commodities, the emerging post-staples economy involves a new set of social and economic relations. To borrow a generously from Hutton (2008), these include (1) the emergence of city-regions as a radical shift in the culture and social relations of rural and urban areas, (2) a new round of structural adjustment and a rationalizing of production, (3) new modes of global economic growth, (4) a shift in values and attitudes toward pro-environment ideas, (5) changing state policies toward regions of primary industrial activity. Within this general framework of the emerging post-staples economy in Canada, there is enthusiasm within some circles for the possibilities of forest dependent communities to make this transition from a production-based

economy (commodity capitalism) to an amenity-based economy (attractive capitalism). There is also an equally pessimistic view among other scholars that such transformational dimensions are very uncommon and what we have instead is evidence of the status quo, evidence to support “Canada’s continued dependence on the export of the timber staple” (Thorpe and Sandberg, 2008:200). This notion of post-staples transition represents a tension within our study as a way of investigating and exploring the extent to which this post-staples transition is underway, if at all.

Another theoretical framework comes from an extensive literature on community capacity as a way of understanding the potential for successful community transition in the wake of major impacts such as a mill closure. One aspect of community capacity relates to the social capacities of rural communities and their willingness and abilities to work together collectively. Defined as “something people do together” (Oliver 1993:276), a theory of collective action offers a way of exploring the relationship between a stimulus (such as community decline) and the propensity for people to work together (Melucci 1996; Ahn and Ostrom 2002).

With this focus on collective action, we are also focused on several wide-ranging sociological topics such as reflexivity (Archer 2010), local culture (Fine 2010), and emergent norms (Hannigan 2006). These thematic areas offer insight and sensitivity to the possibilities for something new (e.g., a new vision, new markets, new social relations) to grow out of local communities and social groups. In as much as individuals operate and react out of habit, out of established patterns or predictable behaviours, the notion of reflexivity is set against this habitual behavior whereby reflexivity emerges precisely when certain pathways of predictable behaviours are blocked and new forms of creative response are required (Archer 2010:273). In this sense, reflexivity becomes a creative moment, either autonomously or collectively, in response to the events and challenges that exist within a given social context. One might imagine that a forest industry mill closure is just the kind of stimulus for reflexivity and collective response that is described by these authors, but this response is not always evident, and such variation (and the determinants of this variation) in collective response between communities is a focal point of this research project.

With these theoretical ideas lingering in the background, this study of media and census data in six case study communities offers a laboratory for examining community response to the unfolding of an economic transition within each of these communities. In this next section, we summarize the key themes that emerge within this analysis. These themes are drawn from the more extensive community reports that are contained within this document.

## Key thematic areas within the community reports

### Resilience in Quesnel

A common theme across the forestry-dependent communities examined was the staggering number of jobs lost due to mill closures. For example, the community of Mackenzie, B.C. lost over 1200 jobs, an overwhelming number representing upwards of half of the available labor force. Likewise, Miramichi, N.B. endured the total collapse of its forestry industry, a net loss of over 1000 jobs from its economy. Fort St. James, B.C., Nackawic, N.B, and Dalhousie, N.B also suffered significant job losses.

The exception, until very recently, was Quesnel, B.C. While Quesnel has since experienced mill closures resulting in nearly 300 layoffs, the closures have been described as temporary:

*We're going to be monitoring how the market performs weekly, and if the picture improves we will bring it back up.* Canfor Spokesman Dave Lefebvre. Prince George Citizen. Prince George, B.C. 01/05/2010

Quesnel's resilience in the midst of the crisis in the forest industry has been noted in media sources:

*Quesnel's resiliency, in this case the ability of the lumber and panel sector to continue to operate, is linked to a combination of factors, say industry observers and representatives. Those include its low-cost manufacturing base, proximity to timber and the majority presence of West Fraser Timber, which has honed a low-cost culture and a history of not shutting mills during downturns.* Gordon Hoekstra. Dawson Creek Daily News. Dawson Creek, B.C. 06/30/2008

Additionally, key characteristics unique to Quesnel have made the community an attractive location for the bio-energy industry. These characteristics include a highly concentrated, diverse forest products industry, large amounts of bio-mass due to pine beetle kill lumber, and one of the lowest electricity rates in North America. The community has worked hard to sell itself as a hub for the bio-energy industry:

*We're positioning Quesnel as a bio-economy hub for green electrical and thermal energy, bio-fuels and bio-refining. Strong community support exists for green industrial development. The BC government has launched an ambitious bioenergy and bio-products strategy, with supportive policies. Why not check us out?* QCEDC [www.quesnelinfo.com](http://www.quesnelinfo.com), 02/15/2010

Thus, it seems that Quesnel is the outlier in the list of forestry-dependent communities that are included in this study, in terms of comparatively less significant losses due to forest industry turmoil.



### **Diversification as an organizing concept for action**

Following turmoil in the forest industry and subsequent mill closures, all communities in the study expressed recognition of the need for economic diversification. For several communities this represented a major shift in both public attitudes and policy as diversification became an organizing concept for action. For example, in 2004 at a natural resource seminar aimed at finding alternative means of sustaining the community of Fort St. James, B.C., then Mayor Jim Togyi reflected on a time when 90% of the community's working population was employed in forestry:

*Back then we didn't have to think about diversification but times have changed. (We) need to move forward with a vision and diversification should be foremost on the District of Fort St. James' agenda.* Fort St. James Mayor Jim Togyi. Caledonia Courier. Fort St. James, B.C. 10/27/2004

The situation was similar in Dalhousie, N.B, where a diversification committee was formed following the closure of the AbitibiBowater mill, Dalhousie's largest employer:

*The economy was never diversified before this happened. It was, but never seriously. Why does it have to be a crisis before anything happens?* Former mill worker Jerry Vienneau. Globe & Mail. Toronto, ONT. 12/22/2007

*Forget newspaper. We can no longer entertain any possibility of going back to 1940. It's going to have to be a very different economy.* Dalhousie Adjustment Committee Chairman Mike Lushington. Telegraph-Journal. Saint John, N.B. 01/03/2009

*I think the time is right for the area right now...The town is picking up. We have to turn the page and look at new things.* Dalhousie Mayor Clem Tremblay. Telegraph-Journal. Saint John, N.B. 01/03/2009

Diversification into tourism, the knowledge industry, and value-added manufacturing were common themes across the communities studied. In Quesnel, B.C., community development officers sought to rebrand the community as a premier natural and cultural destination and had some success:

*Quesnel has become a stopover point for luxury train operator Rocky Mountaineer Vacation (RMV) for its Fraser Discovery route running between Whistler and Jasper. With 72 arrivals, RMV brought 3,900 guests through Quesnel in 2006 and 4,600 guests in 2007, and expects numbers to keep growing.* QCEDC Website. [www.quesnelinfo.com](http://www.quesnelinfo.com) acc: 02/15/2010

Diversification into areas of the forest industry other than the traditional lumber, pulp, and paper sectors was also common. In Miramichi in 2008, community officials contemplated utilizing forest resources to take advantage of the burgeoning biofuels industry:

*There is talk of a pellet mill and a biodiesel plant. New Brunswick's forests aren't going anywhere, so though it may take several years, it should be comforting to know that diversification does not need to mean turning your back on everything that came before... With resilience, optimism and ingenuity, Miramichi will be back - sooner rather than later.* Editorial. Telegraph-Journal. Saint John, N.B. 08/18/2008

The outcomes of diversification efforts are likely to be significant factors in the continued survival of forestry-dependent communities in both New Brunswick and British Columbia.

### **Permanent vs. Indefinite Closures**

Across the forestry-dependent communities studied, mill closures and significant job losses were common. However, the type of mill closure experienced differed somewhat by province. In British Columbia the majority of mill closures were termed “indefinite,” meaning mills were mothballed pending sale or improvements in economic conditions in the forest industry. In Fort St. James, for example, the Pope and Talbot sawmill was closed indefinitely until its eventual purchase by local forestry company Conifex. While there were costs associated with restarting the mill, it had been shutdown in such a way as to facilitate an eventual restart:

*Our mill has been shut down since October of 2007. There are costs associated with shutdown...We are resuming operations when many are taking down time and curtailing their production. We have a strategic plan to operate and build a premier forest company.* Conifex Human Resources Officer Lorraine Ducharme. Caledonia Courier, Fort St. James, B.C. 01/28/2009

The situation in the New Brunswick study communities differed significantly in that mill closures were often permanent. In Dalhousie in early 2008, AbitibiBowater shuttered its paper mill and revealed that it would not sell to a competitor and would remove some of the paper making equipment. Plans to demolish the plant were later drawn up. This action took community officials by surprise:

*It wouldn't have been unexpected if we had a temporary shutdown. The complete shutdown and dismantling of the facilities, that I think was unexpected.* Dalhousie Town Administrator Christy Arseneau. Globe and Mail, Toronto, Ontario. 12/22/2007

The move was not without precedent. In late 2007, UPM Kymmene announced it would permanently close its paper and groundwood mill in Miramichi and paper-making equipment would be shipped to its other operations.

*There were only short periods of time, perhaps a few months, when we made a profit on that mill. Several times, the losses were very deep...We were very patient. We tried everything to turn around the mill, but unfortunately we failed.* UPM Magazine Division President Jyrki Ovaska. Times-Transcript, Moncton, N.B. 12/18/2007

There are many factors that may account for the trend towards permanent mill closures in New Brunswick and indefinite mill closures in British Columbia. Decreased demand for newsprint, a strong Canadian dollar, and rising costs are factors cited by companies operating in both provinces. However, companies have identified additional pressures specific to Eastern Canada relating to wood availability, energy, and labour costs which may account for the differences in the types of closures that were observed across the country.

### **Union Involvement**

Within forestry-dependent communities, often there have been a diverse range of actors involved with efforts to prevent or respond to forest industry mill closures. Community officials, labour unions, concerned citizens and citizens' groups, and former mill workers and their families have all played significant roles in community response to mill closures. Based on media reports and other sources focusing on the six communities studied, it seems that labour unions, as well as non-unionized workers have most often been at the centre of efforts to address forest industry mill closures. These efforts have taken several forms. Across the six communities studied, union officials and mill workers—both unionized and non-unionized—have been active in lobbying various levels of government for assistance, organizing rallies to attract media attention and gain support, agreeing to wage rollbacks in order to reduce mill operating costs, and searching out and meeting with firms interested in purchasing shuttered mills.

For example, in Miramichi, N.B. in 2007, the mill workers' union held public meetings to present ideas aimed at revitalizing the paper industry:

*Our main goal is to try and get that mill back up and running. Secondly, our goal is to bring industry in here, not piece-meal the situation together with a call centre here and a call centre there... We hope the provincial government will see we are taking a lead and join in with us.* CEP Local 689 President Chris Allison. Telegraph-Journal, Saint John, N.B. 08/24/2007

In B.C. in 2008, laid off mill workers in the towns of Mackenzie and Fort St. James organized "Save-Our-Community" rallies aimed at drawing attention to their plight:

*It's a community we want to keep. It's home... We love living in Mackenzie and want it to be saved. This is for the community to get together... to make sure they know we need help, and we need it now... We don't want to be a community that has to travel to work.* Laid-off Mackenzie mill worker and rally organizer Alf Wilkins. Prince George Free Press. Prince George, B.C. 05/23/2008

In Nackawic, N.B. in 2004, following the sudden closure of St. Anne-Nackawic pulp mill the CAW Local 219 voted to work without pay to keep the mill running until a buyer could be found:

*It will take some kind of an effort first off to enter the mill - someone will have to go in and look at what kind of work wasn't completed and make some kind of call as to what is required to*

*complete it.* CAW Local 219 president Barry Elsliger. Telegraph-Journal, Saint John, N.B. 04/21/2009

Across the studied communities, lobbying of various levels of government for assistance fell mainly to the labour unions:

*Our union is working with the provincial government with regards to ensuring access to fibre. We have met with Pat Bell, the new minister of forests, several times now. And we will continue to have discussions with him, and with anyone who is interested, so that a long-term solution for Mackenzie can be found.* CEP National Staff Representative Mackenzie Vince Lukas. Prince George Citizen. Prince George, B.C 07/31/2008

*We will be speaking to everyone who will listen, including the federal, provincial and municipal governments, to see if there are ways we can save the mills. If not, we will try to find a different operator and find a different product...The municipal, provincial and federal governments, and the company, owe it to the citizens of New Brunswick, particularly to the citizens of Dalhousie, to say we've got to do more.* CEP President David Coles. Telegraph-Journal, Saint John, N.B. 09/21/2004

*Today, we call upon our elected officials, our representatives of the people, to forget all about partisan politics, to work together to get this mill (St. Anne-Nackawic Pulp) up and running again, and find a responsible mill owner.* International Longshoremen union representative Patrick Riley. Daily Gleaner. Fredericton, N.B. 09/27/2004

While other actors have contributed much to the efforts to address mill closures in forestry dependent communities, it is often those whose livelihoods are most directly affected that take the most prompt and decisive action.

### **Government Involvement**

While federal government support of forestry-dependent communities in British Columbia and New Brunswick has been relatively evenly distributed, provincial government support has differed in amount and in kind. In British Columbia, provincial government support of forestry-dependent communities has been somewhat limited and often indirect. The Campbell government has been heavily criticized by labour and community officials for what has been perceived as a lack of direct and decisive action by the provincial government to aid forestry-dependent communities:

*Campbell is simply re-directing federal money...The province is not bucking up. It's clearly provincial policies -- in part with the softwood lumber deal -- that is creating the angst, basically the destruction of the forest industry.* Steve Hunt, Regional Director United Steel Workers. Vancouver Sun, Vancouver, B.C. 05/10/2008

*B.C.'s number one industry can not only survive, it can thrive. But not unless the government is willing to protect the interests of working British Columbians and their communities. So far, all the cheering has been in the boardrooms while the uncertainty and pain continues to grow in*

*the lunch rooms. The same government that handed over control of the industry to the forest companies now says their "hands are tied."* Jim Sinclair, President B.C. Federation of Labour. The Times, Clearwater, B.C. 06/23/2008

Contrastingly, the provincial government of New Brunswick has been quick to support forestry-dependent communities, often through direct action. For instance, when AbitibiBowater announced it would shutter its Dalhousie paper mill provincial government officials—including N.B. premier Shawn Graham—promptly met with company officials and agreed to work together to find a buyer for the mill:

*It's a good thing that the company is willing to work with us, and I will promise on the government end that we will leave no stone unturned while looking for a new buyer.* Natural Resources Minister Donald Arseneault. Telegraph-Journal, Saint John, N.B. 12/07/2007

Later, the entire provincial Liberal cabinet toured Dalhousie and met with community leaders at the behest of Dalhousie-Restigouche MLA Donald Arseneault, a trip aimed at showing ministers the human face of the economic woes caused by mill closures:

*I want (the Liberal cabinet ministers) to learn firsthand what we are going through and to see it firsthand. It is one thing to be in Fredericton and make those decisions but if you can't connect with those communities, it doesn't work that way.* Natural Resources Minister Donald Arseneault. The Times-Transcript, Moncton, N.B. 04/08/2008

The N.B. provincial government has a history of such actions, having provided the AV group in 2005 with substantial loans in order to purchase and upgrade a shuttered pulp mill in Nackawic. The government again provided funding for expansion and upgrades to the mill in 2008:

*Today's support will help the company as it installs new equipment that will help them have a long and prosperous future right here in Nackawic,*N.B. Premier Shawn Graham. Telegraph-Journal, Saint John, N.B. 06/14/2008

Thus, there are clear differences in the way provincial governments in British Columbia and New Brunswick have responded to mill closures in forestry-dependent communities. It is less clear what the factors underlying these differences in responses might be, but there are indications of very different political cultures between provinces that are playing out in this context.

### **Appurtenancy Concerns**

In the wake of mill closures, many forestry dependent communities have expressed concern over timber rights. Historically, in British Columbia timber was tied to communities through a legal clause known as appurtenancy. Under appurtenancy, forestry companies were required to process timber at facilities in the region from which the timber was harvested. The clause was aimed at facilitating development in rural communities. Similarly, in New Brunswick, Section

68(1) of the Crown Lands and Forest act prohibited forestry companies from exporting raw logs outside New Brunswick.

However, the appurtenancy clause was lifted in B.C. in 2003, and the government of New Brunswick began allowing exemptions from Section 68(1) for certain forestry companies in 2007. When poor market conditions in the forest industry resulted in mill closures in forestry-dependent communities, forestry companies took advantage of the relaxed raw timber export regulations. They began shipping raw timber to be processed in communities outside their license areas, both within Canada and abroad.

Forestry-dependent communities have vigorously opposed the export of raw timber from their regions, remaining strongly committed to the principles of appurtenancy. For example, in Fort St. James community members bristled at the prospect of the removal of raw timber from the Pope and Talbot mill's forest allotment:

*We are concerned that the sale of the mill and tenure owned by Pope and Talbot will occur with the intent to shut down the mill and ship logs from the area to other mills outside the community. This action will severely hurt our community and we are working together with Nak'azdli to ensure that the jobs in the area stay here.*  
Fort St. James Mayor Rob MacDougall

*The one single concern for most people is logs going out of this area. We do not want that to happen.* Fort St. James Trucker Mike Goodall

Community members and other stakeholders in both B.C. and New Brunswick blamed the raw timber export problem on governments' decisions to relax tenure laws:

*The government tore up a century old agreement that required forest companies, in return for reaping millions in profits, to process our wood in our communities and employ our local people. It is now easier than ever to sell a forest company and export logs and jobs.* President of B.C. Federation of Labour, Jim Sinclair

*In the midst of a wave of mill closures across the province, the government of New Brunswick is catering to the large forestry industry and ignoring the fate of the affected communities by allowing timber allocated to their local mills to continue to be cut and shipped away to provide cheap fibre to mills elsewhere in the province or to foreign markets.* Public Lands Coalition Statement, New Brunswick Coalition of Woodlot Owners

Appurtenancy was vital for the establishment and sustainability of communities in B.C and its principles continue to be relevant today. Regional Development Researcher, Rob van Adrichem.

Communities and stakeholders across both provinces called for action and tenure law reform aimed at stopping the export of raw timber:

*Government officials need to change the paradigm of control of the province's public forest so that local communities are able to manage local forests for the long-term benefit of their communities.* Public Lands Coalition Statement, New Brunswick Coalition of Woodlot Owners

*We need help from the government, because to ban raw logs means to save jobs for Fort St. James and surrounding area.* Save-Our-Community Fort St. James Committee Member Winson Cheung

*A discussion on tying logs to communities is appropriate and necessary...We need a new model and a new vision, big companies and the government model (hasn't worked). We have done it their way and it has not worked out.* Stand Up For the North Spokesman Peter Ewart.

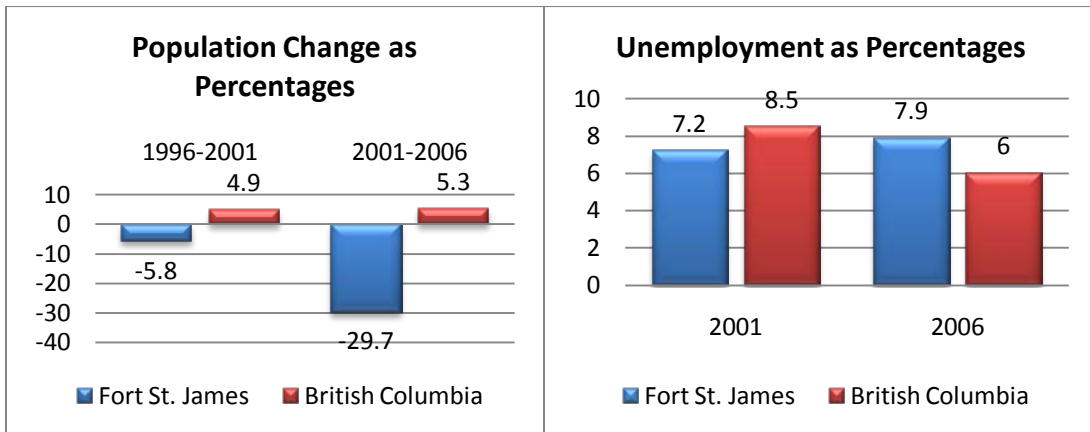
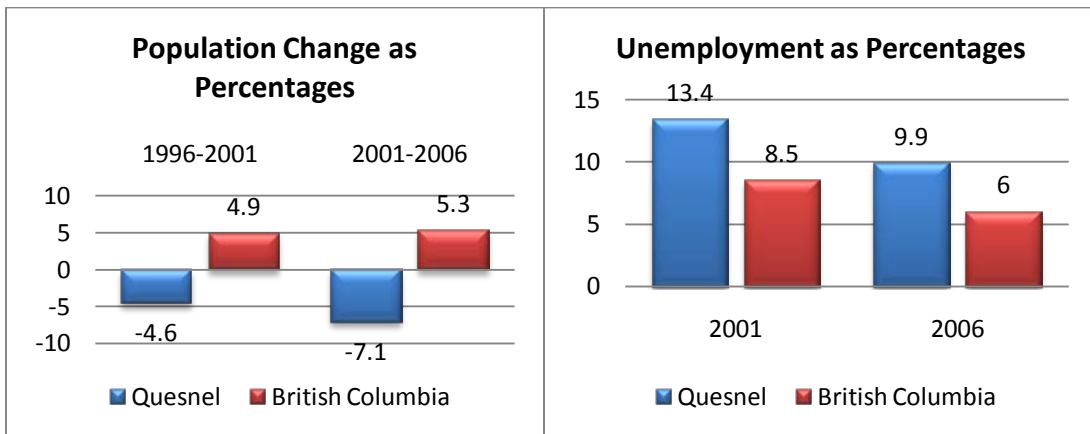
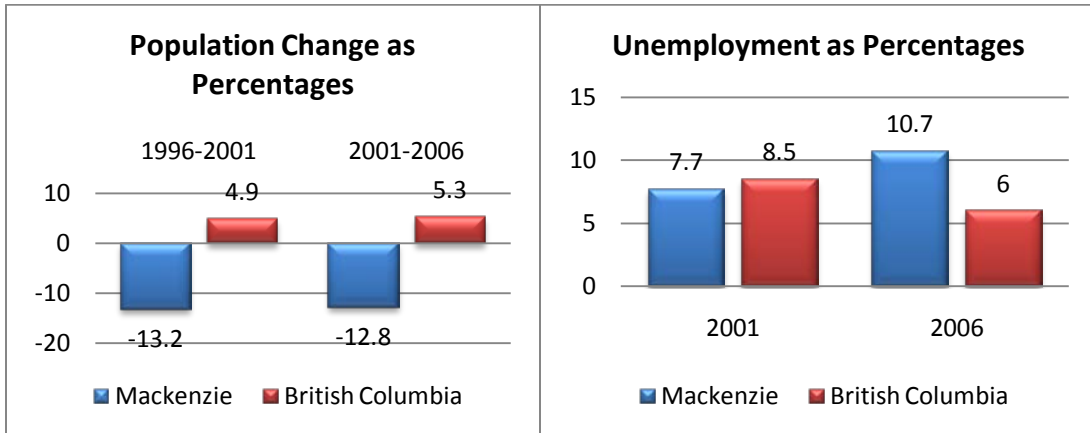
Currently, both New Brunswick and B.C. governments have refused to amend tenure laws to enable the tying of raw timber to communities. The discussion is ongoing.

### **Population and Unemployment Statistics**

An examination of 2001 and 2006 census statistics reveals some common trends across the six studied communities. All communities have experienced substantial population decline. In B.C. communities, large population declines occurred within the context of substantial population increases in the province as a whole. In N.B. communities, large population declines occurred while N.B. as a whole experienced a very slight population decline.

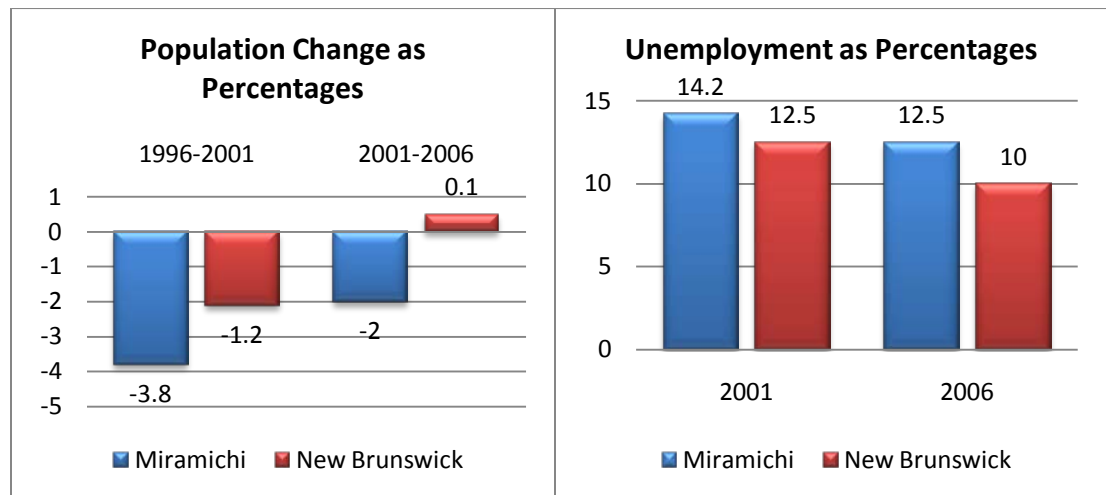
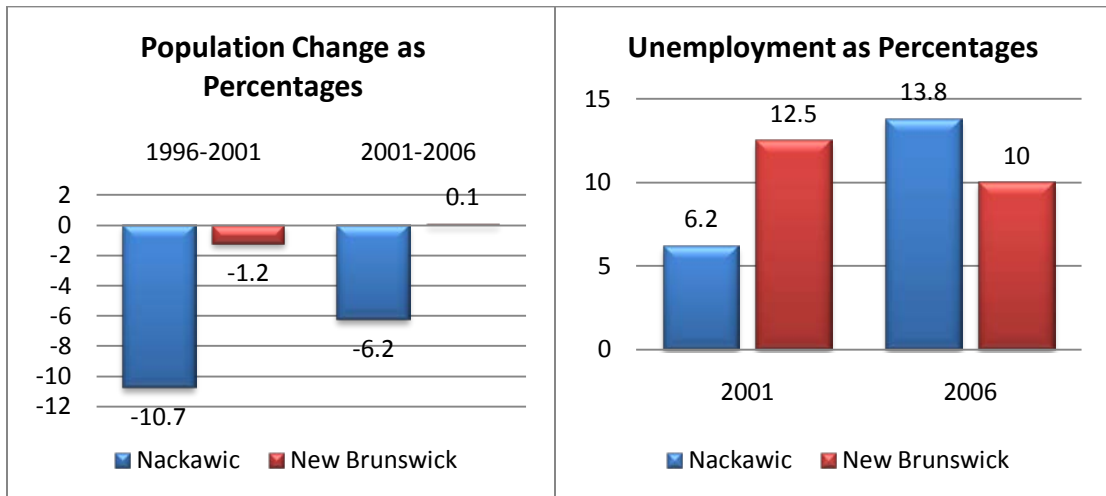
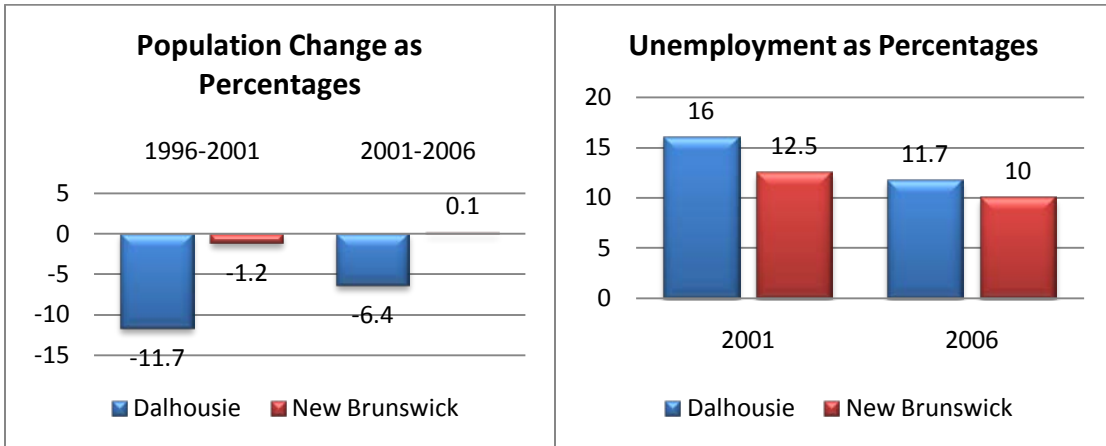
Unemployment rates at the 2006 census were significantly higher than the N.B. and B.C. provincial averages across all studied communities. This represents a reversal for the communities of Mackenzie, Fort St. James, and Nackawic, all of which had lower unemployment rates than the provincial average at the 2001 census.

## British Columbia Communities





## New Brunswick Communities



## Conclusion

One of the dominant themes within this media analysis is the element of surprise that existed within many of these communities. For some communities the mill closure itself came as a surprise. For other communities, the surprise came with the permanent closure and dismantling of the mill. Although temporary closures had happened before (sometimes repeatedly), no one was expecting the mill to be trucked away. These events were entirely unexpected.

Another theme involves a renewed enthusiasm for economic diversification within the local economy and within the forest industry as well. Media reports point to renewed vision and desire to think creatively and to leave behind old economies that are based on commodities such as timber or newsprint. Mill closures seemed to put a very fine point on the fact that these communities were vulnerable in ways that were not really recognized or accepted up to this point in time.

Reflecting on the theoretical underpinnings of this research, the tension between staples and post-staples economic activity is revealed in several ways. In some case study communities, there was a strong vision to move on, to leave the commodity based economies behind in favour of new economic opportunities. *"We need to move forward with a vision and diversification should be foremost on the agenda."* In contrast, many communities, or groups of people within these communities maintained a commitment to getting things back to the way things used to be. *"Our main goal is to try and get that mill back up and running."* These tensions between moving forward and going back were evident within and between communities, but there was a more general sense as well that economic circumstances had changed in the forest industry in ways that were more profound than the usual forest sector cycles of boom and bust.

In terms of community capacity, and collective action in particular, media reports point to old social movements such as labour unions as a key source of collective action in these communities. Unions provided the motivation for local action to help laid-off workers and families, and put pressure on governments, political leaders, and corporations to act in the best interest of workers and communities. Many of these actions were very public and very effective in mobilizing support for affected communities.

What is less clear from this analysis is the extent to which other forms of reflexivity and action were present within the community. On one hand, there is a sense in which the communities acted and affected change, but these actions were conditioned by the relatively limited economic and political capacities of remote towns and small populations. What can be done, and what can be expected by these communities in the face of global economic changes, technological advances, and large-scale corporate consolidation?

One the other hand, the notion of surprise, the unexpected realities of mill closure, lay-offs, and limited economic alternatives speak to the general lack of reflexivity that seemed to exist within many of these communities. Are the capacities to reflect on our collective social and economic realities, our strengths and weaknesses as individuals and as communities, our capacities and our vulnerabilities, any more or less compromised in forestry towns as compared to other communities and other settings? If so, are there ways to focus attention, to reflect on our collective vulnerabilities, and act in advance of disaster to enhance community capacity? These are the ongoing questions within this project, and questions that continue to linger at the end of this analysis of media and census data.

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# Nackawic Community Report

## Overview

In late 2004, due to volatility in the forest industry, the community of Nackawic, New Brunswick experienced the closure of its largest single employer. The indefinite mothballing of the St. Anne-Nackawic pulp mill resulted in the loss of a significant number of jobs in the community. This event presented considerable challenges to the community of Nackawic's economic sustainability and vitality. 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 describe the context and timeline of events leading up to and following the mill closures. A selection of quotations from community members, officials, and concerned parties is also presented.

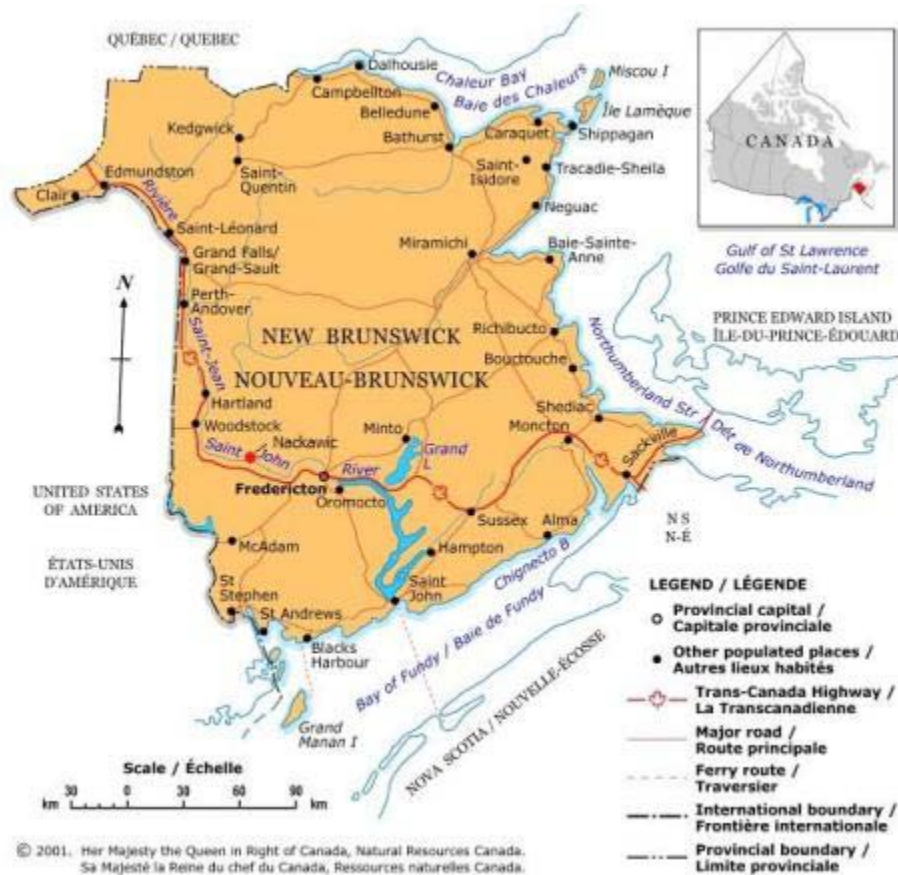


Figure 1 Map of New Brunswick. Credit- [www.atlas.gc.ca](http://www.atlas.gc.ca)



Figure 2 Satellite Map of Nackawic. Credit- Google Maps

### ***Community Description***

The town of Nackawic is situated on the banks of the St. John River, midway between the communities of Fredericton and Woodstock, in Western New Brunswick. It had not existed before 1960, at which time the government of New Brunswick began building a hydroelectric dam at Mactaquac to provide electricity for the province. The Nackawic town site was constructed in the late 1960's to accommodate families that would be displaced by flooding between Mactaquac and Woodstock caused by the dam.

As these newcomers also required employment, and due to Nackawic's ideal geographic location, the town was chosen as the site of a large pulp mill. The mill opened in 1970, directly employing a large portion of Nackawic residents while indirectly employing still more through the creation of spinoff jobs in the forestry, manufacturing, and service sectors. With the mill came a strong dependence on the fortunes of the forest industry, a reality that characterizes Nackawic still. The World's Largest Axe was constructed in Nackawic as a symbol of this vital relationship.

While efforts have been made to increase economic diversification—promoting the town as a tourist destination, for example—Nackawic remains for all intents and purposes a single industry town. In the midst of a global recession, recent adversity in the forest industry has presented special challenges for the town, and it remains to be seen how the community will cope.

## Selected Characteristics

### Population Decline

Nackawic experienced a significant population decline in the five year period between 1996 and 2001 (10.7%). While population decline was a general trend in New Brunswick during this time period, Nackawic suffered a proportionately much larger loss of residents. During the five year period between 2001 and 2006, Nackawic experienced a further population decline of 6.2%, while New Brunswick as a whole showed a slight population increase.

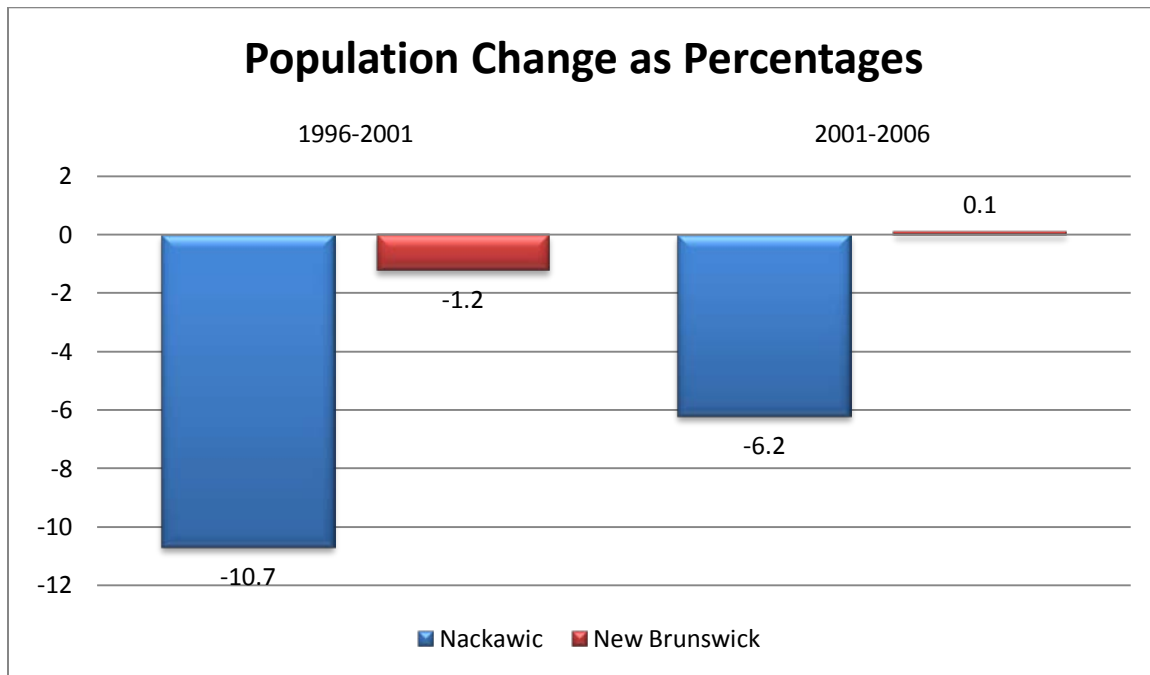


Figure 3 Population Change in Nackawic and New Brunswick as Percentages

### Unemployment

In 2001, Nackawic enjoyed a comparatively low unemployment rate (6.2%) in relation to the New Brunswick provincial average (12.5%). However, the situation had reversed by 2006. The closure of the Nackawic mill in 2004 was reflected in the unemployment rate (13.8%), which was comparatively high in relation to the provincial average (10%).

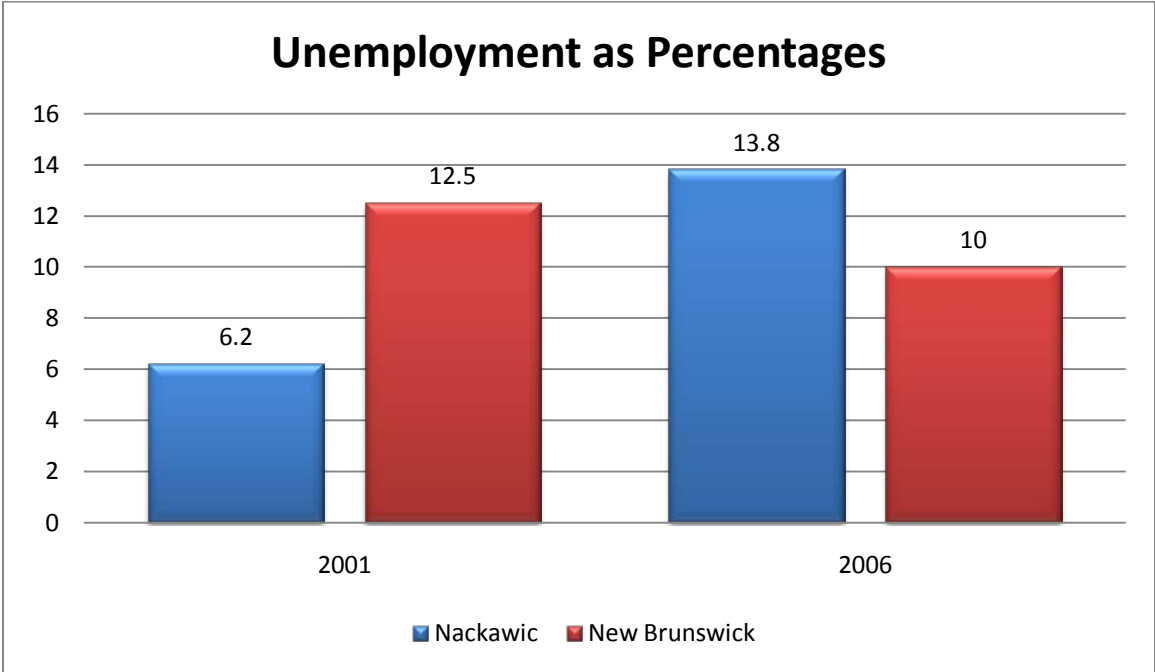


Figure 4 Unemployment Rates in Nackawic and New Brunswick as Percentages

### Employment by Industry

Employment in Nackawic is heavily concentrated in manufacturing, retail, and other services related to the forest industry. The figures from the 2006 census show a significant decline from 2001 (almost 20%) in the percentage of employment in the manufacturing and construction sectors. This decline likely reflects the closure of the Nackawic pulp mill, which left almost 300 mill workers unemployed.



## Employment by Industry: 2001

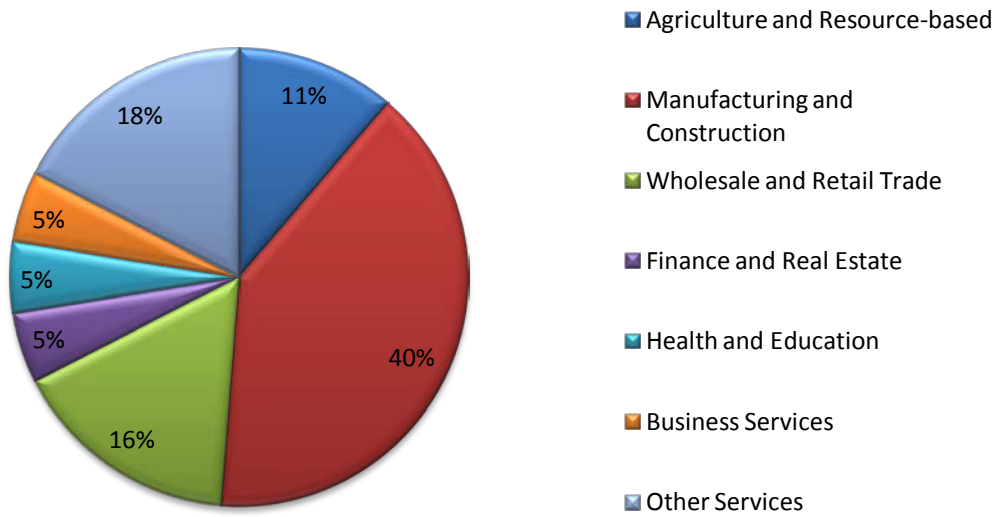


Figure 5 Employment by Industry, Nackawic: 2001

## Employment by Industry: 2006

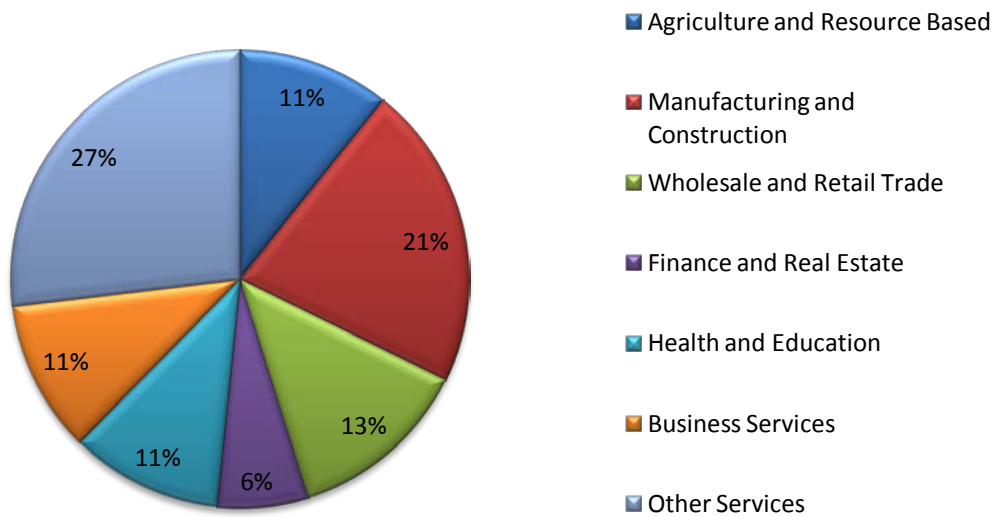


Figure 6 Employment by Industry, Nackawic: 2006

## ***Media Analysis: Mill Closure 2004***

### **Mill Closes Abruptly**

On September 15, 2004 after thirty five years of operation, the Nackawic-St.Anne pulp mill was abruptly shut down after owners—New York based firm Parsons and Whittemore—ordered the facility closed. Around 400 mill workers and managers were laid off as a result of the indefinite closure and, because the closure occurred during a regularly scheduled maintenance shutdown, private contractors performing repairs were also ordered off the job, including over 350 tradesmen, carpenters, and millwrights. Parsons and Whittemore would file for bankruptcy the next day, citing an uncertain global pulp market, the high cost of wood, and the rising Canadian dollar as reasons for the action.

According to media reports, aside from rumours of the company's financial troubles, there was little to no warning of the impending closure. Union officials were informed at an early morning meeting on the day of the closure. They, like other Nackawic community members, were shocked by the announcement. Many residents—especially former mill workers—expressed disappointment and anger at the failure of Parsons and Whittemore to provide advanced warning of an imminent closure, hampering workers' ability to prepare for the event.

### **Workers React**

Evidence of this anger and frustration came in the form of an occupation of the pulp mill's warehouse by nearly 50 newly unemployed mill workers. They entered the warehouse late in the afternoon on Sept. 15 and refused to leave, demanding that the company and the government provide an explanation for the sudden closure and that the mill be reopened. One of the occupiers, Canadian Auto Workers Local 219 Union member Brady Moore, explained to the media that workers were upset about Parsons and Whittemore's decision to close the mill with no warning just 2 months after a new collective agreement had been reached—an agreement in which the union had made considerable concessions in order to keep the mill viable. The workers ended the occupation early the next day, but continued to camp out near the entrance for 2 nights afterward.

### **The Community Responds**

While the occupation failed to achieve its goals, it paved the way for more concerted efforts by focusing media attention on the closure. Many Nackawic residents called on the provincial government to intervene, publishing impassioned pleas for assistance from Premier Bernard Lord and other government officials in local papers. A Save Our Mill..Save Our Communities rally was held under the World's Largest Axe and more than 1000 people turned

out to support and encourage efforts to secure a sustainable future for Nackawic. Residents were urged to “Shop Locally”, in support of local retailers. An Adjustment Committee was formed to help those affected by the mill closure adjust to the new reality in Nackawic. Media reports described a town united for the common good, expressing solidarity and hope in the face of significant adversity.



Figure 7 Workers at Save Our Communities Rally. Nackawic, N.B. Credit- [www.caw.ca](http://www.caw.ca)

Additionally, mill workers held talks to discuss several initiatives aimed at keeping the mill open. Unionized workers voted to work without pay to complete the repairs that had been abandoned during the closure, in an effort to properly mothball the mill so that it could begin operations anew if a another buyer could be found. For any specialized work which could not be done by workers themselves, the government would be lobbied for funding to hire contractors. The provincial and federal governments agreed to fund the work, and it was eventually carried out, with workers receiving full pay. Mill workers also entertained the idea of an employee buyout and takeover of the mill, but considered such an action only an option of last resort.

### **Nackawic Searches for a Buyer**

Most stakeholders and analysts agreed that the best course of action would be to attempt to secure a buyer who would operate the mill, a daunting task with the forest industry in turmoil. There seemed to be little interest for several months. However, in December 2004, media reported that union and provincial government officials had entered into negotiations with a potential buyer for the mill, the Montreal-based forestry company Tembec Inc. Optimism was running high and just as it appeared a deal was ready to be made, Tembec backed out, citing an unfavourable market and operating environment.

All those involved were reported to be extremely disappointed by the collapse of the deal, but still optimistic and determined that a new buyer could be found. Provincial government and community officials continued to contact possible buyers while at the same time pursuing new economic opportunities for Nackawic unrelated to the mill. Less than a month later, Premier Bernard Lord and New Brunswick Business Minister Peter Mesheau announced to a packed Nackawic Legion that a framework agreement had been made between Tembec Inc. and Indian business conglomerate Aditya Birla Group to purchase the mill. Aditya Birla Group would be the majority partner, while Tembec would take care of operations.



Figure 8 St. Anne-Nackawic Pulp Mill. Nackawic, N.B. Credit-Wikipedia

### **Tensions Arise**

Community members were ecstatic when news of the agreement was reported on April 1, 2005. News reports suggested that “hope had been restored”. However, the mill sale proved to be complex and would spend several months before the courts. Further complications would arise in the form of a lawsuit filed on behalf of 150 non-unionized workers whose underfunded pensions were at stake after the former mill owners declared bankruptcy.

Some feared that the lawsuit would threaten to derail the deal and, as a result, tensions began to arise between community members. One Nackawic resident likened the situation to the whole community “splitting in two”. Under significant pressure from other community members, the five former mill workers who filed the lawsuit eventually withdrew it, and the mill sale would be approved in late August 2005. Terms of the sale included the condition that the buyers would take no responsibility for former employees’ pension plans. The pension issue continues to be a source of tension between community members.

### **Back to Work at Last**

On Jan. 16, 2006, the St. Anne-Nackawic mill reopened as AV Nackawic, almost 16 months after it was mothballed. In early 2007, a 30-million dollar retrofit was begun which

would allow the mill to produce dissolving pulp, a product used in the manufacturing of rayon. 300 former mill workers were now reemployed, and media reports suggested that confidence was returning to Nackawic. Nackawic Region Economic Development chairman Jaques Laroche told reporters that businesses were beginning to show an interest in the region again. One report likened Nackawic's re-emergence to the "mythical phoenix, reborn from the ashes".

### **More Adversity**

Late in 2008, though, confidence in Nackawic began to slump once again. In the midst of a global recession, it was announced that AV Nackawic would face a temporary closure in order to bring inventories under control. The announced closure never happened. In March 2009, it was again announced that AV Nackawic would experience a shutdown. Frank Dottori, chairman of the AV Group, called the situation in the forest products industry a "disaster" and announced that a temporary shutdown of at least 5 weeks would occur when a plan for the move was drawn up. This time, the provincial government stepped in, lending 10-million to AV Group to keep the mill running, which was matched by the Birla Group.

### **Going Forward**

Forest industry conditions remain volatile and the community's continued reliance on AV Nackawic as its main economic driver represents a tenuous situation. Community officials have expressed the need to seek a more sustainable future for Nackawic, and are working to diversify the economy in the hopes of attaining that goal. Based on available information, these efforts have not yet begun to pay significant dividends, but are demonstrating some promise.

### **Update**

There have been several new developments in Nackawic since this report was compiled. In June 2009, the federal government announced a \$1 billion funding package for pulp and paper companies to become greener and more energy efficient. AV Group planned to improve production levels, cost and energy efficiency at their mills—including AV Nackawic—with the money. These green energy projects should lead to job creation in construction and other fields, said industry experts. AV Group officials noted that as its mills begin to produce more, they will require more wood and shipping capacity, which would be good for New Brunswick's forestry and transport industries.

In February 2010, it was reported that AV Nackawic was considering the construction of a new biorefinery that would produce material for fuel, plastics, and other products. The biorefinery would utilize waste material that is produced by the existing dissolving pulp mill in Nackawic. Additionally, removing the waste product would increase the efficiency of the pulp

mill. Company officials are currently determining the most viable product that can be refined from the waste material and the most cost effective method of producing it.

In order to address the issue of high industrial power costs, N.B. premier Shawn Graham has been negotiating a deal to sell off some N.B. Power assets to Hydro-Quebec. Under the revised January 2010 agreement, large industrial users would see a 23% cut in power rates and light industrial users would see a five year rate freeze. The move has been endorsed by the New Brunswick Forest Products Association.



Figure 9 Nackawic Sunrise. Nackawic, N.B. Credit-flickr.com/photos/18759438@N00/2211667927

### ***Selected Quotations***

*"This was a very painful decision to close today...We've operated this mill for 35 years, and believe me, we did not do this capriciously, it was agonizing whether to do it or not."* Parsons and Whittemore legal counsel, Maria Fulgeri, on the closing of St. Anne Nackawic. 15/09/04. Hagerman, S. Daily Gleaner. Fredericton, N.B.

*"I don't think it is a death blow,"* Former mayor Robert Connors, on Nackawic's future after the mill closure. 15/09/04. Staples, M. Daily Gleaner. Fredericton, N.B.

*"I feel bad for the younger employees...They have nothing. This is terrible for the community. You've got nothing and there is no other industry here to fall back on."* Robert Phillips, retired mill employee, on the closure. 15/09/04. Staples, M. Daily Gleaner. Fredericton, N.B.

*"It will be a big disappointment to a lot of families. Some may have to leave. It's quite shattering, really."* Diane Peterson, Millville resident, on the closure. 15/09/04. Staples, M. Daily Gleaner. Fredericton, N.B.

*"You give this place six months, and if that mill doesn't start running again this will be a ghost town."* Tim Gillis, a chemical technician and manager at St. Anne-Nackawic, on the closure. 18/09/04. Richer, S. Globe and Mail. Toronto, Ont.

*"I'm worried about the town, the employees. People are scared as hell. Their lives have been turned upside down".* Former mayor Robert Connors, on the closure. 18/09/04. Richer, S. Globe and Mail. Toronto, Ont.

*"The mill closure took the wind out of the sails, but they haven't taken our sails yet."* Business owner Terry White, on how the closure affected his business. 08/01/05. O'Kane, J. Daily Gleaner. Fredericton, N.B.

*"This one is tough and I share it...It's tough but we are going to get through it. It's tough because it affects a community. It affects New Brunswickers and we feel this one. I feel it."* Business New Brunswick Minister Peter Mesheau, after an agreement with Tembec to purchase the mill fell through. 09/03/05. Kaufield, K. Telegraph-Journal. Saint John, N.B.

*"We are going to do everything in our power to work with our partners to make this a long-term, profitable operation,"* Barry Elsliger, president of Canadian Auto Workers Local 219, on the sale of St. Anne-Nackawic to Tembec and Birla Group. 02/04/05. Hagerman, S. Daily Gleaner. Fredericton, N.B.

*"We can't ever let our town be so dependent on one industry again, believe me I am glad they are here. We need the plant to reopen, but we certainly learned the dangers of relying on one industry here."* Janet Caldwell, a town councillor and business owner, after the mill sale. 02/04/05. Hagerman, S. Daily Gleaner. Fredericton, N.B.

*"If these people need help, the community will be there for them and hopefully the agencies that are responsible for that will be there to help them also,"* he said. Former mayor Robert Connors, speaking of families that may be in need during the time between EI running out and the mill reopening. EI running out for former mill workers. 23/07/05. Anonymous. Daily Gleaner. Fredericton, N.B.

*"I don't believe Mr. Landegger deserves a dime after what he has done to the people... We have suffered enough. We have been bullied enough. It's time the government stood up with some intestinal fortitude to the George Landegggers of the world."* Former mill worker Steven Hawkes, upset about the settlement from the sale, which saw 26-million go to the largest secured creditor St. Anne Holdings, a company controlled by former owner Landegger. 27/08/05. Hagerman, S. Daily Gleaner. Fredericton, N.B.

*"We are going to have move forward. We have got to put the past behind us...There are a lot of losers in this, and it is unfortunate, but that's the way it has to be... Now... we've got to look at the future. Nackawic is on its way to prosperity again."* 27/08/05. Former mayor Robert Connors, on the mill sale. Hagerman, S. Daily Gleaner. Fredericton, N.B.

*"I believe I can sum up in four words the feelings of all assembled here today...Let's get to work."* Barry Elsliger, president of Canadian Auto Workers Local 219, at the signing of the final mill sale agreements. 10/11/05. Anonymous. Daily Gleaner. Fredericton, N.B.

*"It sure is good news but there's still some fear within residents...It will take a while before 100-per-cent confidence returns."* Jacques Laroche, chairman of the Nackawic Region Economic Development Team, on the 1 year anniversary of the mill reopening. 13/01/07. Anonymous. Daily Gleaner. Fredericton, N.B.

*"It's great news for Nackawic...From what I can surmise, they're looking at a 25-year plan for this mill. That's a long ways out and it gives us some comfort that this mill is sustainable and will be open for the future."* 16/08/07. Former mayor Robert Connors, upon hearing news that AV Nackawic would expand its production. Berry, S. Daily Gleaner. Fredericton, N.B.

*"We're in for a long haul...The market is still horrendous. It's just a disaster for the forest products industry across Canada."* AV Nackawic executive Frank Dottori, on the mill's future prospects. 11/03/09. Bundale, B. The Tribune. Campbellton, N.B.

*"A new plant will definitely require more people, whether we would do it ourselves here or whether a partner would be doing it. There will be more economic benefits as well, but we haven't gotten that far and it's one of the items we will be going through once we identify what the product is and how best to utilize it."* AV Nackawic V.P. of Process Vincent Byrd, on the potential biorefinery. (02/13/10) Southwick, R. Telegraph-Journal. Saint John, N.B.

*"We support the revised NB Power/Hydro-Quebec Deal, as it represents a competitive rate solution for all segments of the industrial sector. This new agreement is another step in the right direction in a year that is poised to see a rebound for our industry."* CEO New Brunswick Forest Products Association Mark Arsenault, on the proposed NB Power/Hydro-Quebec deal. (02/04/10) Arsenault, M. Telegraph-Journal. Saint John, N.B.

### **Community Statistical Profile 2006**

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2006	977		
Population in 2001	1042		
2001 to 2006 population change (%)	-6.2		
Median age of the population	43.2	43	43.6



% of the population aged 15 and over	82.6	83.3	83.7
Total private dwellings	405		
Number of owned dwellings	325		
Number of rented dwellings	35		
Average value of owned dwelling (\$)	103903		
Median monthly payments for rented dwellings (\$)	401		
Median monthly payments for owner-occupied dwellings (\$)	489		
Median income in 2005 - All census families (\$)	43701		
Median income in 2005 - All private households (\$)	40864		
Persons 15 years and over with income (counts)	715	370	350
Median income - Persons 15 years and over (\$)	22915	30087	16105
Immigrants	10		
Non-permanent residents	0		
Aboriginal identity population	15	0	15
Total Pop. 15 years+ with a High school certificate or equivalent	215	115	100
Total Pop. 15 years+ with a University certificate; diploma or degree	55	30	25
Labour Participation rate	58	57.7	59
Employment rate	50	50	49.4
Unemployment rate	13.8	13.3	14.3

### ***Community Statistical Profile 2001***

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2001	1042		
Population in 1996	1167		
1996 to 2001 population change (%)	-10.7		
Median age of the population	41.7	41	42.3
% of the population ages 15 and over	80.4	80.4	81.1
Total private dwellings	395		
Number of owner-occupied dwellings	315		

Number of rented dwellings	80		
Average value of dwelling (\$)	83983		
Average gross monthly payments for rented dwellings (\$)	482		
Average monthly payments for owner-occupied dwellings (\$)	525		
Median family income; 2000 (\$) - All census families	46384		
Median household income; 2000 (\$) - All Private Households	44863		
Persons 15 years of age and over with income	730		
Median total income of persons 15 years of age and over (\$)	18524		
Immigrants	60	35	25
Non-permanent residents	0	0	0
Aboriginal identity population	20	10	10
% of population 20-34 with high school graduation certificate	36.4	15.4	10
% of population 20-34 with university certificate; diploma or degree	12.1	15.4	10
% of population 35-44 with high school graduation certificate	21.7	25	27.3
% of population 35-44 with university certificate; diploma or degree	21.7	33.3	18.2
% of population 45-64 with high school graduation certificate	18.8	18.4	21.2
% of population 45-64 with university certificate; diploma or degree	14.5	10.5	15.2
Labour Participation rate	50	64.6	36.1
Employment rate	46.9	58.2	33.7
Unemployment rate	6.2	7.8	6.7

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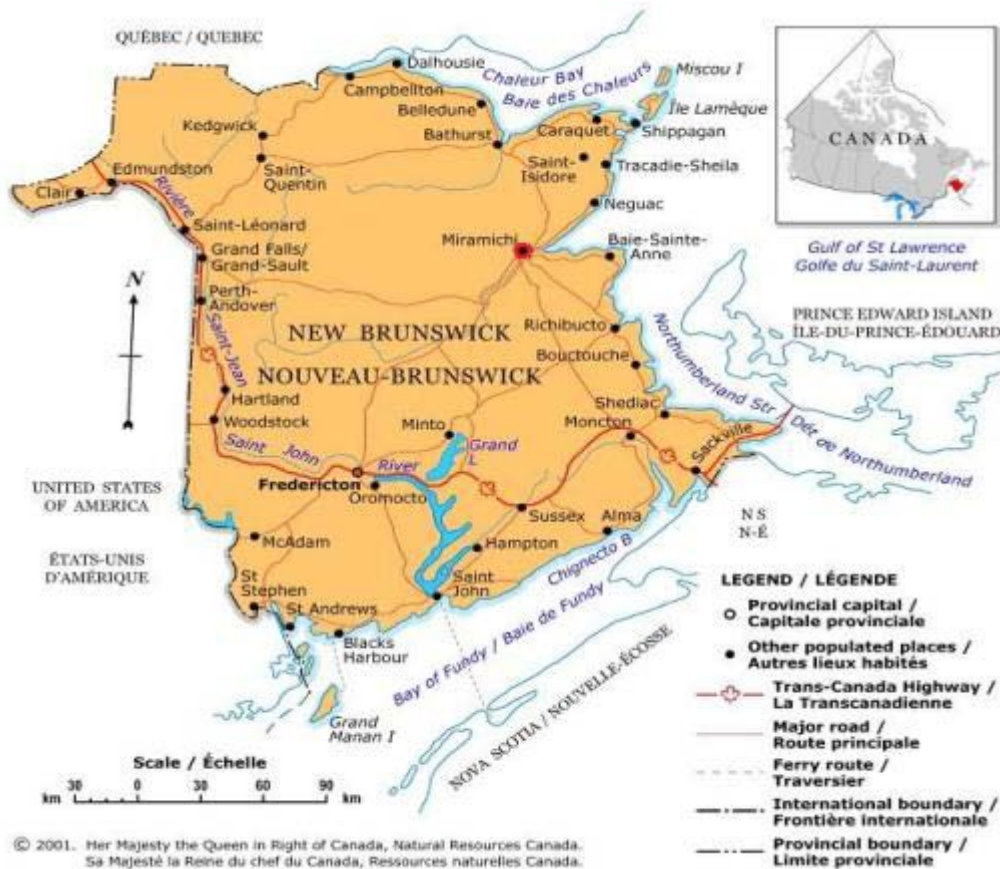
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# Miramichi Community Report

## Overview

Between 2004 and 2009, Miramichi endured an almost total collapse of its forest industry. The closure of pulp, paper, OSB, and lumber mills resulted in the loss of hundreds of well-paying jobs that previously formed the backbone of the economy. This series of events has presented a significant challenge to Miramichi's economic sustainability and vitality. Utilizing media reports and other secondary sources, this report focuses on the timeline of events leading up to and following the mill closures, with a focus on community responses. A brief description and history of the City of Miramichi is also presented.

A selection of quotations from community residents, officials, and interested parties illustrative of community responses to the mill closures is included in the appendix. The 2001 and 2006 Community Profile Statistical data for Miramichi are also included.





### ***Community Description***

Prior to 1995, the city of Miramichi did not exist. In fact, it was created through the forced amalgamation of five smaller incorporated communities and six unincorporated communities concentrated around the mouth of the Miramichi river in North Eastern New Brunswick. The amalgamation saw the rival towns of Newcastle and Chatham, and the villages of Nelson, Loggieville, and Douglastown, brought together under a single municipal government.

The dominant industries in the region and the largest contributors to the local economy have traditionally been forestry related. In the Miramichi region's early days shipbuilding, masting, and lumbering were the primary economic activities. Following those industries' decline, pulp and paper production came to the fore. Additionally, productive copper, lead, and zinc mines and a large air force based helped to diversify the Miramichi's economic prospects. Yet by 1999 the mines had become depleted and the airforce base had closed, leaving pulp and paper production as the main driver of the region's economy once again.

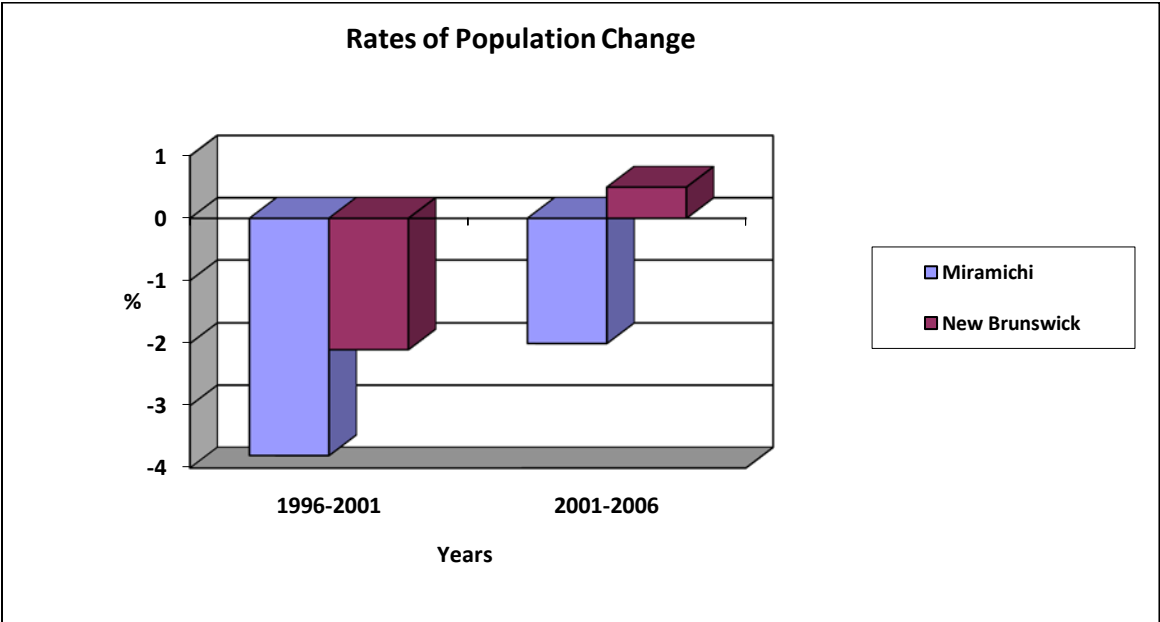
Today, the city of Miramichi acts as the business and industrial hub for the Miramichi region. Tourism plays a key role in the area's economy, and knowledge based industries such as multimedia production and customer service provision have made inroads as well. Until recently, the area was home to several pulp and paper and lumber mills operated by companies like Weyerhaeuser and UPM-Kymmene. These mills employed a significant percentage of the available labour force in the Miramichi region both directly (as much as 14.2% in 1996) and indirectly. Between 2004 and 2009, the combination of a strong Canadian dollar, the housing

construction sector downturn in the United States, stiff competition, and other factors resulted in the closure of every pulp and paper production facility in the Miramichi region.

***Selected Characteristics***

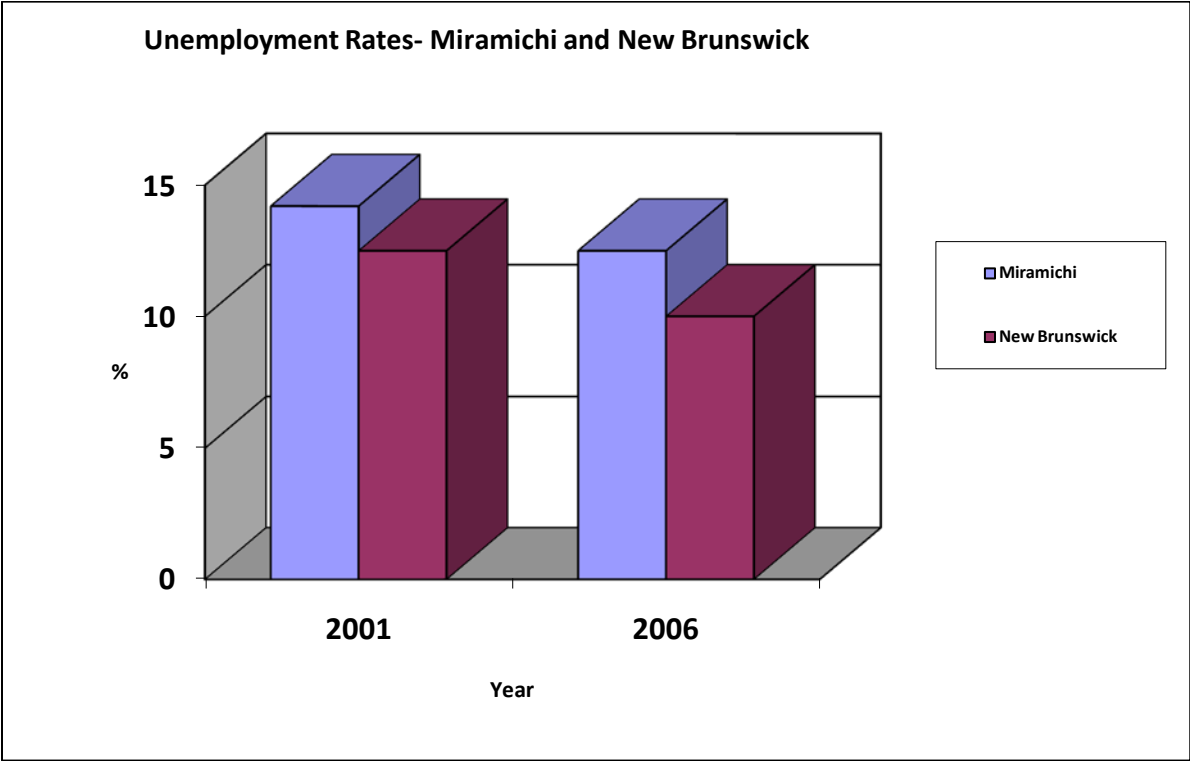
**Population Decline**

Miramichi has experienced significant population decline in recent years. Between 1996 and 2001, the population declined by %3.8. Between 2001 and 2006, a further %2.1 decline was reported. While population decline is a province wide issue in New Brunswick, Miramichi has experienced higher than average losses. It is unclear how mill closures have affected population numbers, though, as many of the permanent closures occurred after the 2006 census.



### Unemployment

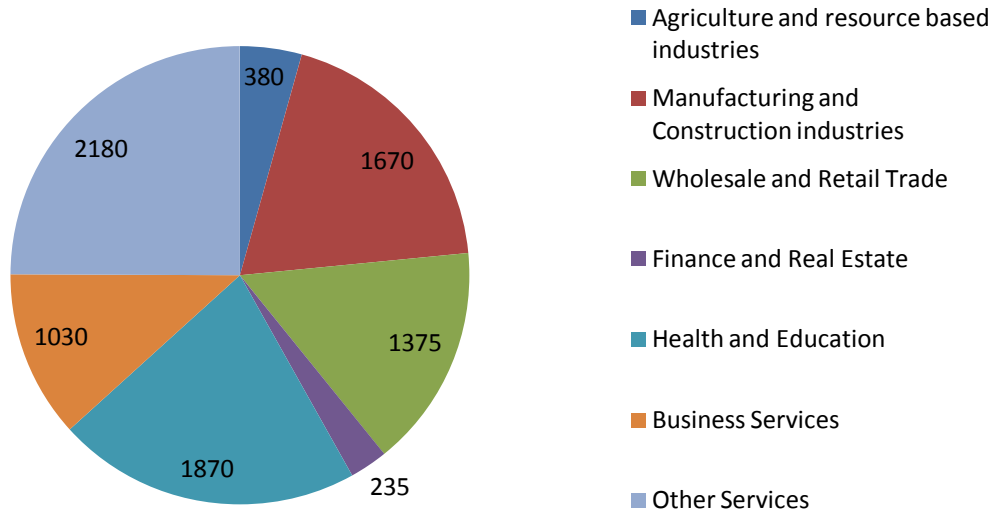
Rates of unemployment, as well, have consistently been higher in Miramichi than the provincial average. Over time, the city has struggled to replace jobs lost due to the closures of mills, mines, and CFB Chatham. Again, the census data do not, perhaps, reveal the current extent of the problem as almost 945 jobs were cut from the forestry sector after the 2006 census had been conducted.



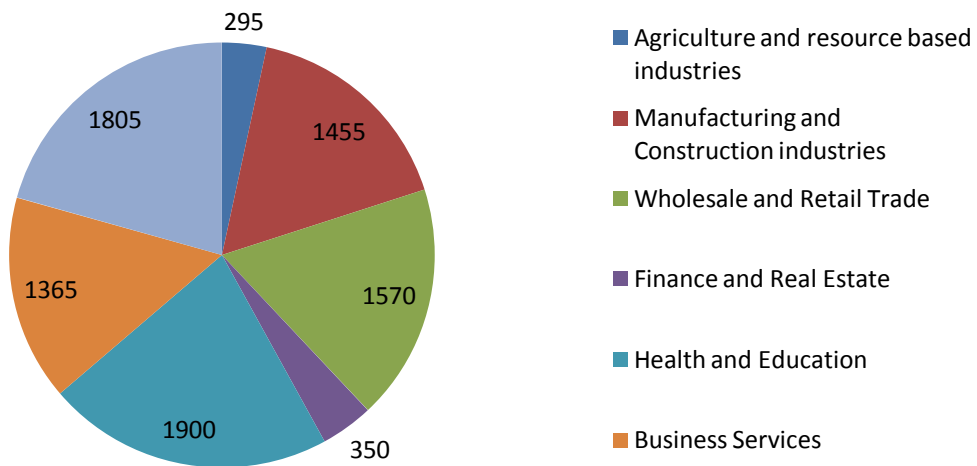
### Employment by Industry

An comparison of the employment statistics for Miramichi in 2001 and 2006 reveals that the majority of job losses have come in the agriculture, resource based, manufacturing, and construction industries. These statistics also show that Miramichi has experienced significant job gains in the business, retail, and financial services sectors. The total labour force population for 2001 was 8740, and for 2006 the total labour force population was 8750.

## Employment by Industry 2001



## Employment by Industry 2006





## **Media Analysis: Mill Closures and Community Responses, 2004-2009**

### **UPM-Kymmene Delivers “Body Blow”**

The first major mill closure in Miramichi was announced on Sept. 29, 2004 by UPM-Kymmene’s president of North American operations Heikki Malinen. Malinen stated in the announcement that the UPM-Miramichi kraft pulp mill would close on Jan. 31, 2005 eliminating 400 union and non-union jobs as the company attempted to restructure its operations in New Brunswick. Increased global competition, the plant’s age, and inadequate production levels were the main reasons provided for the closure. According to Malinen, expansion of production to keep the mill viable was not an option due to New Brunswick’s inadequate wood supply.



UPM Paper Mill

Many sources reported that the announcement came as a shock to the community, and that the economic outlook was, for the most part, grim. One source described UPM-Kymmene as having “deliver[ed] a body blow to the Miramichi valley” that could take up to \$16-million in wages and another \$3.5-million in private woodlot sales out of the local economy. Communications, Energy and Paper Workers Union Local 689 president A. J. Dowling was quoted in an article entitled *Workers contemplate bleak future* as saying that the mill closure was “unexpected, it was a bombshell” and that workers were trying to gauge the impact the closure would have on themselves and their families. The same article quoted several workers who seemed resigned to the fact that they would likely be forced to leave Miramichi. Another article focused on the concern of local businesspeople as to how the mill closure would impact their bottom lines with many of their customers facing layoffs. A document prepared by Miramichi city officials estimated the mill closure would result in a loss of nearly \$100-million from the local economy.

### **The Community Responds**

The Miramichi community, especially members of the CEP Local 689, was quite active in responding to the announced mill closure. In Oct. 2004, premier Bernard Lord met with community leaders to discuss the effects of the mill closure and CEP Local 689 members

organized a second meeting aimed at drumming up public support to keep the mill open. A large number of people marched in the streets prior to the meeting. Over five hundred people attended including 2 MPs, the CEP national president, and numerous community leaders. Several speakers demanded that the government revoke one of UPM-Kymmene's Crown forest licenses if the company did not reverse its decision to close the kraft pulp mill. In Nov. 2004, a "Save the Miramichi" committee was formed, including members of the CEP Local 689, city councillors, and local businesspeople, in an attempt to further rally community support against the mill closure. Posters and signs in support of the cause were distributed to businesspeople and others to display, and a petition was circulated. A protest at the provincial legislature grounds was also planned. Additionally, in December 2004 workers from both the kraft pulp mill and UPM-Kymenne's groundwood pulp and paper mills began a strike in hopes of addressing the mill closure and negotiating a new collective agreement.



"We want to know, where is our future?"

Despite these efforts, the kraft pulp mill was closed and later demolished, beginning in Feb. 2005. A tentative collective agreement between workers and UPM-Kymenne was not achieved until Aug. of that year, by which time media reports suggested that business owners were pushing for workers to sign the contract, saying that "the community must learn to cope with lost jobs". Aside from Miramichi city council conducting a business impact survey and several hundred mill workers briefly protesting the demolition of the kraft pulp mill, community responses to the actual mill closure, if they occurred, were not well reported in the months following.

### **Miramichi Forestry Sector Takes Another Hit**

In Feb. 06, less than a year later, UPM-Kymenne announced it would shut down its groundwood pulp and coated paper mills for three months in a cost-saving measure. Media reports from this time period document significant community responses to the city's now

increasingly uncertain future. Union workers, who had fought for a wage increase in the collective agreement negotiated only seven months earlier, now voted to roll-back their own wages in an effort to keep the mills afloat. Miramichi city council voted to enact a two-year property tax freeze to help reduce the costs of operating the mills. A delegation of Miramichi councillors, union members, and Miramichi Chamber of Commerce representatives travelled to UPM-Kymenne headquarters in Helsinki, Finland in order to discuss ways to keep the mills operating over the long term.

Their efforts proved to be in vain, however, as UPM-Kymenne announced a nine to twelve month shutdown of both its groundwood and coated paper mills in Jun. 07, followed by a permanent closure announcement in Dec. of the same year. Combined with the indefinite closure of OSB Weyerhaeuser in Feb. 07, a total of 745 jobs were eliminated from the Miramichi economy directly, in addition to the hundreds of jobs in industries dependent on the mills. In the media, reporters, city officials, workers, and residents variously described the mill closures as “severe, big, and very dramatic”, “a major crisis”, “the downfall of the Miramichi”, and “a crushing blow to the community”. One reporter described the job losses, quite dramatically, as the fall of the Sword of Damocles that had been hanging over Miramichi.

### **Miramichi Searches for Solution to Forestry Crisis**

In addressing the mill closures, community members and officials employed a number of strategies, some more successful than others. The Miramichi Diversification Initiative was a joint project of the federal and provincial governments, the City of Miramichi, Enterprise Miramichi, and the Community Business Development Corporation Northumberland aimed at helping businesses affected by the mill closures in diversifying their products and markets. City council, businesses, and neighbouring communities sent delegations to the provincial government in Fredericton seeking funds and assistance to deal with the crisis. With some of the funding received, a Community Action Committee was created to plan and assist the recovery and continued development of the Miramichi regional economy through community driven initiatives. Efforts to have the UPM-Kymenne mills sold to another company were stymied by UPM-Kymenne officials decision to irreparably disable their machinery.

In the early months of 2008, several articles in local papers—with titles such as *Residents of a Battered Mill Region Learn to Move on* and *Time to Move On*—seemed to encourage community members to put the mill closures behind them and to look toward the future. Enterprise Miramichi, the local economic development agency, began to channel funds towards three strategic sectors: the knowledge based economy, value-added manufacturing, and tourism. Miramichi city council, in conjunction with the local business community, local MLA's, and provincial government officials, was able to attract a Norwegian solar firm to purchase the UPM-Kymenne paper mill site for a future solar cell production facility.

## **More Bad News**

The forestry sector, however, continued to suffer. In Apr. 08, the Atcon plywood mill was shut down indefinitely, throwing 100 employees out of work. In May, following five months of public rallies, petitions, and calls for action by Miramichi community members supporting the sale of the idled OSB Weyerhaeuser plant, a potential buyer—Arbec Forest Products— withdrew at the last minute. And on May 23, 08, it was reported that the last remaining mill on the Miramichi, Newcastle Lumber Co., had gone into receivership, with 100 more mill workers joining the ranks of the unemployed. One media report suggested that the Newcastle Lumber Co. Mill closure represented “the final nail driven into the coffin of Miramichi’s forestry sector”. Media reports described massive unemployment and an exodus of workers—especially young workers—headed for Alberta’s oil sands developments. While more recent statistics would undoubtedly paint a more accurate picture, Miramichi was ranked 16<sup>th</sup> in a Statistics Canada national comparison of mid-sized urban centres with the fastest declining population between 2001 and 2006.

## **Miramichi Undeterred: Residents Confident That Miramichi “Will Rise Again”**

Despite these setbacks, recent media reports suggest that community residents and officials are optimistic that diversification efforts will pay significant dividends resulting in a more prosperous Miramichi in years to come. Indeed, it seems the fruits of these efforts are already burgeoning. New Brunswick Community College Miramichi Campus has expanded its trades program, increasing opportunities for unemployed workers to retrain in areas such as crane operation or carpentry. Additionally, the college is working to develop a local animation industry by providing animation and gaming programs, helped along by the efforts of Gene Fowler, who relocated his Fatkat Animation company to his hometown Miramichi in 2003. The tourism industry has expanded, with Miramichi playing host to world class salmon fishing, several festivals, and various cultural and historical attractions. Moreover, with growth in the Information and Communications Technology (ICT) and manufacturing (highlighted by the Umcoe solar project) sectors, it seems Miramichi is poised to weather and overcome the adversity presented by the decline of its forest industry.

## **Update**

There has been a lot of good news in Miramichi since the original compilation of this report. Demolition of the former UPM-Kymenne paper mill to clear the site for the construction of Umcoe Solar’s \$600 million solar cell plant has been ongoing, with the plant expected to be online sometime in 2012. Between 300 and 350 new jobs will be created as a result of the project.

In October 2009, a \$70 million plan for a state of the art plasma gasification plant was announced for the former Nelson groundwood pulp mill site. The plant is a joint venture consisting of Miramichi area Metepenagiag First Nation, Sunbay Energy, and Newlook Industries. The plant will utilize municipal waste to create clean energy, and should provide around 200 jobs during the construction phase and 40 permanent positions in the operational phase. Miramichi community officials hope to rebrand the area as a hub for the alternative energy industry.

There have also been positive developments regarding a pair of Miramichi's shuttered mills. In February 2010, it was reported that the owners of the last mill to close in Miramichi—New Castle Lumber—had secured a \$3 million loan in order to modernize its equipment so that it could reopen in the near future, employing around 100 workers. Also, the former Weyerhaeuser OSB mill is in the process of being sold to Montreal based TAG Enterprises. The company intends to operate the mill.



### ***Selected Quotations***

*"Maybe we will look back in five years and go 'well, we've actually started to diversify our economy a little bit and we were able to figure out how to bring more youth back to our economy',"* Brian Donovan, director of Miramichi Economic Development, on the kraft mill closure's potential to force Miramichi's economy to diversify. 10/08/04 Barry, A. *The Times-Transcript*. Moncton, N.B.

*"Well, your career is gone and your future is up in the air. You just have to evaluate your future on the Miramichi,"* Millworker and former city councillor John Foley, on the UPM kraft mill closure. 09/30/04 Gowan, D. *Telegraph-Journal*. Saint John, N.B.

*"I think we need to ask the federal government what it is going to do to help us. We have a community to save here, and we can't carry this load by ourselves."* Former city mayor John Mckay, on the forestry crisis. 06/06/07 Klinkenberg, M. *Daily Gleaner*. Fredericton, N.B.

*"We demand, we demand some help -- immediate help...This is a crisis."* City Councillor Lisa Harris, at a city council meeting where she moved for a public meeting to be called to attract the provincial and federal governments' attention to Miramichi's plight. 07/27/07 Barry, M. *The Times-Transcript*. Moncton, N.B.

*"We lost the railroads, we lost the mines, and we lost the airport. I think we'll survive this mill thing. You just roll with the punches. It's all you can do."* Paul Boudreau, Miramichi resident, on the UPM-Kymmene mill closures. 08/15/07 Cumby, M. *Telegraph Journal*. Saint John, N.B.

*"We're always creative on the Miramichi,"* Chris Allison, former CEP Local 689 President on the union's creation of a youtube video to attract potential buyers for idled mills. 09/27/07 Shipley, D. *Telegraph-Journal*. Saint John, N.B.

*"This community is going to move on, there are new opportunities...But the Miramichi alone can't reinvent itself."* Former Miramichi mayor John Mckay, on the need for assistance from the provincial government for Miramichi's diversification efforts. 10/25/07 Casey, Q. *Telegraph-Journal*. Saint John, N.B.

*"Unfortunately, we let a multinational corporation come here and destroy a community. They are bad people."* Chris Allison, former CEP Local 689 President on the closure of UPM-Kymenne's pulp and paper mill. 12/22/07 Klinkenberg, M. *Daily Gleaner*. Fredericton, N.B.

*"This is a community that's resilient. The day the mill closed, we didn't give up,"* NBCC principal Marie-Paule Theriault on the challenges facing Miramichi. 04/25/08 Shepard, E. *Miramichi Leader*. Miramichi, N.B.

*"We're not all lumberjacks and fishermen,"* Gene Fowler, owner of Fatkat Studios animation company located in Miramichi, (jokingly) on the diversification efforts. 04/25/08 Shepard, E. *Miramichi Leader*. Miramichi, N.B.

*"The city had the misfortune of learning first-hand that one-industry towns are an anachronism. Rather than cry 'Why us?', its citizens have already started to claw their way back...With resilience, optimism and ingenuity, Miramichi will be back - sooner rather than later."* 08/18/08 Anonymous. *Telegraph-Journal*. Saint John, N.B.

*"We've done a lot of work on this site over the years, it's sad to see it go, but we're very excited and looking forward to the future,"* Local owner of Delway Enterprises David Matchett on his company's contract to demolish the UPM-pulp and paper mill. 01/05/09 Anonymous. *Miramichi Leader*. Miramichi, N.B.

*“It would be nice to get our men back working on the river – it’s the first thing that’s on my mind when I wake up in the morning.”* Conservative MP Tilley O’Neill-Gordon on the Miramichi’s struggles. 01/19/09 McDavid, K. *The Times-Transcript*. Moncton, N.B.

*“We are very serious here in the Miramichi area. We want these jobs back.”* Dawn MacDonald, community resident, one of the leaders in the effort to bring Arbec Forest Products in to take over the idled Weyerhaeuser OSB mill. 02/11/09 Anonymous. *Miramichi Leader*. Miramichi, N.B.

*“They’re going to be on the cutting edge of technology, and world leaders in this industry, and there’s nothing but greatness that I can see for Miramichi,”* Public Safety Minister and Miramichi Centre MLA John Foran on the Umcoe solar firm’s purchase of the old UPM site. 02/12/09 McDavid, K. *The Times-Transcript*. Moncton, N.B.

### **Community Statistical Profile 2006**

<u>Selected Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2006	18129		
Population in 2001	18508		
2001 to 2006 population change (%)	-2		
Median age of the population	43.1	42.2	43.9
% of the population aged 15 and over	84.5	83.6	85.4
Total private dwellings occupied by usual residents	7345		
Number of owned dwellings	5505		
Number of rented dwellings	1835		
Average value of owned dwelling (\$)	107992		
Persons 15 years and over with income (counts)	14335	6840	7490
Median income – Persons 15 years and over (\$)	20993	28492	16701
Median income in 2005 – All census families (\$)	51567		
Median income in 2005 – All private households (\$)	43872		
Median monthly payments for rented dwellings (\$)	536		
Median monthly payments for owner-occupied dwellings (\$)	530		
Immigrants	520	280	235
Non-permanent residents	10	10	0
Aboriginal identity population	310	130	175
Total population 15 years and over	15050	7155	7895
High school certificate or equivalent	4165	1985	2175

University certificate; diploma or degree	1915	850	1065
Labour Participation rate	59.5	64.1	55.3
Employment rate	52.1	54.1	50.3
Unemployment rate	12.5	15.6	9.2

### ***Community Statistical Profile 2001***

<u>Selected Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2001	18508		
Population in 1996	19241		
1996 to 2001 population change (%)	-3.8		
Median age of the population	39.9	38.9	40.8
% of the population ages 15 and over	83.1	81.9	84.2
Total number of dwellings	7195		
Number of owned dwellings	5340		
Number of rented dwellings	1855		
Average value of dwelling (\$)	81724		
Persons 15 years and over with income	14285		
Median income- persons 15 years and over (\$)	16923		
Median family income; 2000 (\$) – All census families	45482		
Median household income; 2000 (\$) – All households	40586		
Average monthly payments for rented dwellings (\$)	521		
Average monthly payments for owner-occupied dwellings (\$)	565		
Immigrants	435	200	235
Non-permanent residents	10	10	0
Aboriginal identity population	240	135	105
Total population aged 20-34	3440	1585	1855
% of the population aged 20-34 with high school graduation certificate and/or some postsecondary	31	35	27.5
% of the population aged 20-34 with a university certificate; diploma or degree	18.2	12.6	23.2
Total population aged 35-44	2820	1315	1505
% of the population aged 35-44 with a high school graduation certificate and/or some postsecondary	29.4	28.1	30.2



% of the population aged 35-44 with a university certificate; diploma or degree	14.4	15.6	13.6
Total population aged 45-64	4825	2370	2450
% of the population aged 45-64 with a high school graduation certificate and/or some postsecondary	22.6	20.7	24.5
% of the population aged 45-64 with a university certificate; diploma or degree	16.9	16	17.8
Labour Participation rate	59.4	64.7	54.6
Employment rate	51	53.5	48.8
Unemployment rate	14.2	17.5	10.8

### ***Miramichi Mill Closures***

Company	Mill or Machine & Product	Date Announced	Effective Date	Duration	Closure Type	Layoffs	Capacity Reduced	Unit
UPM-Kymmene	UPM Miramichi, Kraft Pulp	06/06/2007	24/08/2007	Permanent	Full Mill	600	130000	Tonnes
UPM-Kymmene	UPM Miramichi, General Pulp and Paper	08/12/2005	01/02/2006	Permanent	Full Mill	15	NA	NA
UPM-Kymmene	UPM Miramichi, Kraft Pulp	29/09/2004	01/01/2005	Permanent	Partial	400	240000	Tonnes
UPM-Kymmene	UPM Miramichi, Newsprint	05/06/2007	24/08/2007	Permanent	Full Mill	600	450000	Tonnes
Weyerhaeuser	Eagle Forest Products, Panels	21/12/2006	19/02/2007	Permanent	Full Mill	145	414	MMSF
Newcastle Lumber Co.	Newcastle Lumber Co., Lumber	22/05/2009	NA	Indefinite	Full Mill	100	NA	NA
Atcon	Atcon Plywood Inc., Panel	14/03/2008	NA	Temporary	Full Mill	100	NA	NA

### ***Sources***

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*Canada NewsWire.* Ottawa, Ont.

*Our Times.* Toronto, Ont.

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*Miramichi Leader.* Miramichi, N.B.

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# Dalhousie Community Report

## Overview

In early 2008, the community of Dalhousie, New Brunswick experienced the closure of its largest single employer. The permanent shutdown of the 78 year old newsprint mill operated by AbitibiBowater Inc. and the subsequent closure of two chemical manufacturing plants operated by Olin Corp. resulted in the loss of a significant number of jobs in the community. These events have presented considerable challenges to the community of Dalhousie's economic sustainability and vitality. 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 describe the context and timeline of events leading up to and following the mill closures. A selection of quotations from community members, officials, and concerned parties is also included.

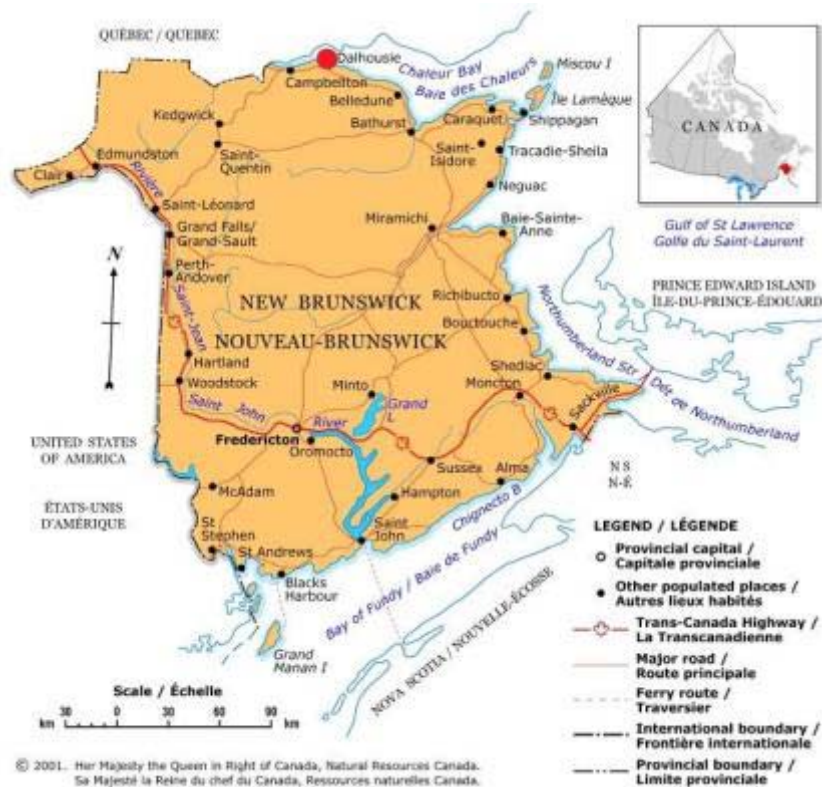


Figure 10 Map of New Brunswick. Credit- [www.atlas.gc.ca](http://www.atlas.gc.ca)



Figure 11 Satellite Map of Dalhousie. Credit- Google Maps

### **Community Description**

The community of Dalhousie is located at the tip of northern New Brunswick, where the Restigouche River drains into Chaleur Bay. Originally occupied by Micmac peoples, the area began to attract significant European settlement after the Great Miramichi fire of 1825 decimated the lumber industries in Maine and Central New Brunswick and lumbermen began to look further north for timber. The addition of a harbour allowed Dalhousie to become a hub for the export of timber to Europe and elsewhere.

By the late 19<sup>th</sup> Century, Dalhousie had grown considerably due to booming lumber, shipping, and fishing industries and was the leading town in the region. However, the town was bypassed by the Intercolonial Railway in favour of nearby Campbellton, and growth slowed for a time. The community's fortunes would change in the late 1920's, though, as the International Paper Company chose Dalhousie as the site for its latest paper mill which, at that time, would be one of the largest in the world.

Today, Dalhousie's economy remains intimately tied to the forest industry. Recognizing a need for diversification, Dalhousie town council recently released a municipal plan outlining key opportunities for future growth. Dalhousie's unique culture, history, and natural beauty are boons to the emerging tourism sector and expansion of this industry is a key goal outlined in the plan. Expanding the role of the deep sea port—currently offering services such as stevedoring, repairs, supplies, fuel, etc.—is also on the agenda. These goals are made all the more pressing by recent adversity in the forest industry.

## Selected Characteristics

### Population Decline

Population declined significantly in Dalhousie in the ten year period between 1996 and 2006. Between 1996 and 2001, population in Dalhousie declined by 11.7%. Between 2001 and 2006, a further 6.4% decline was reported. Population decline was a province wide issue during this time, but Dalhousie was particularly hard hit. The effect of forest industry decline on population levels is unclear, however, as the AbitibiBowater mill did not close until January 2008.

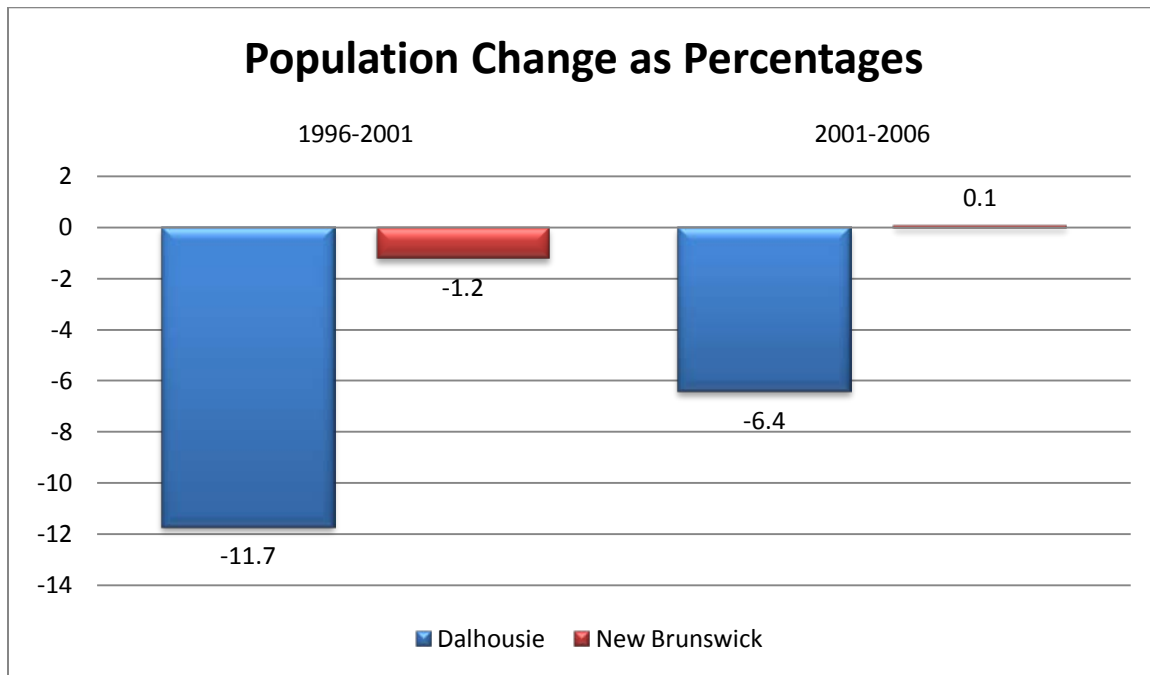


Figure 12 Population Change in Dalhousie and New Brunswick as Percentages

## Unemployment

Unemployment rates in Dalhousie declined over the last five year census period from a high of 16% to 11.7%. Dalhousie's unemployment rate remained higher than the New Brunswick average at the 2006 census, but the gap appeared to be narrowing. The January 2008 closure of the AbitibiBowater newsprint mill and Olin Corp. chemical manufacturing plants resulted in more than 450 layoffs, representing almost a quarter of the labour force in Dalhousie; however, this loss of employment is not accounted for in the most current statistical profile.

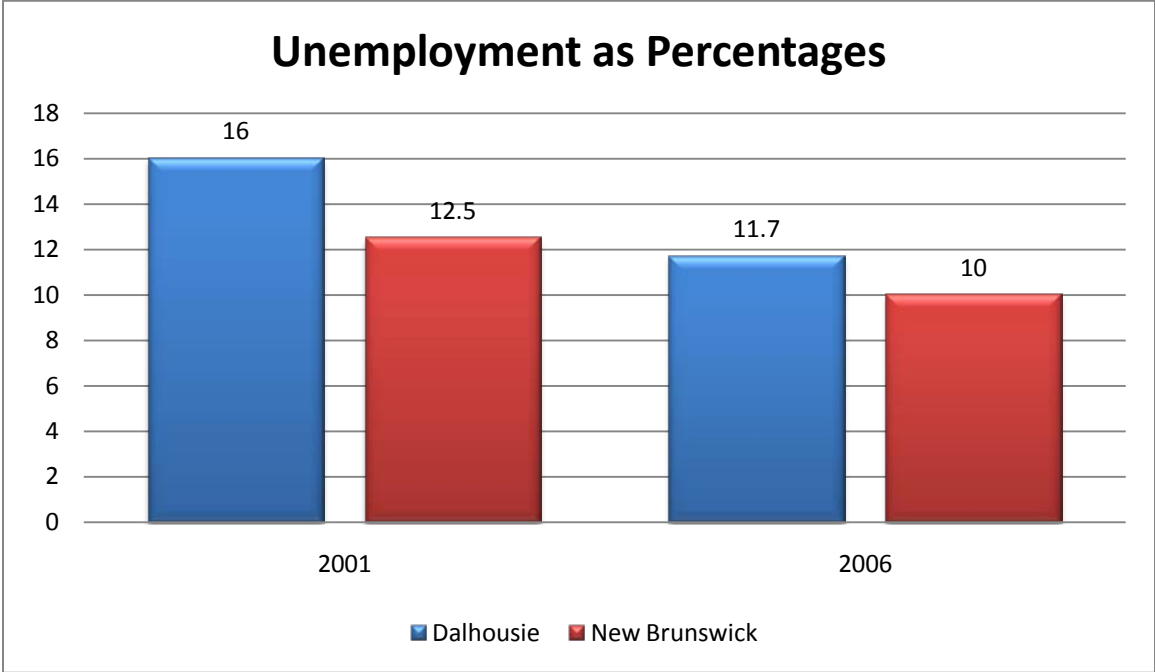


Figure 13 Unemployment Rates in Dalhousie and New Brunswick as Percentages

## Employment by Industry

Traditionally, the forest industry has been the dominant sector of employment in Dalhousie; the paper mill has been the largest single employer for over 75 years. Following the closure of the AbitibiBowater newsprint mill and the subsequent closure of two Olin Corp. chemical manufacturing plants, the largest single employer remaining in Dalhousie is a senior citizens' retirement home. The loss of such a significant number of manufacturing jobs represents a dramatic shift in the makeup of the workforce in Dalhousie. Whether this trend continues depends, in part, on whether the mill site can be sold and on what plans the buyer might have for the property.

## Employment by Industry: 2001

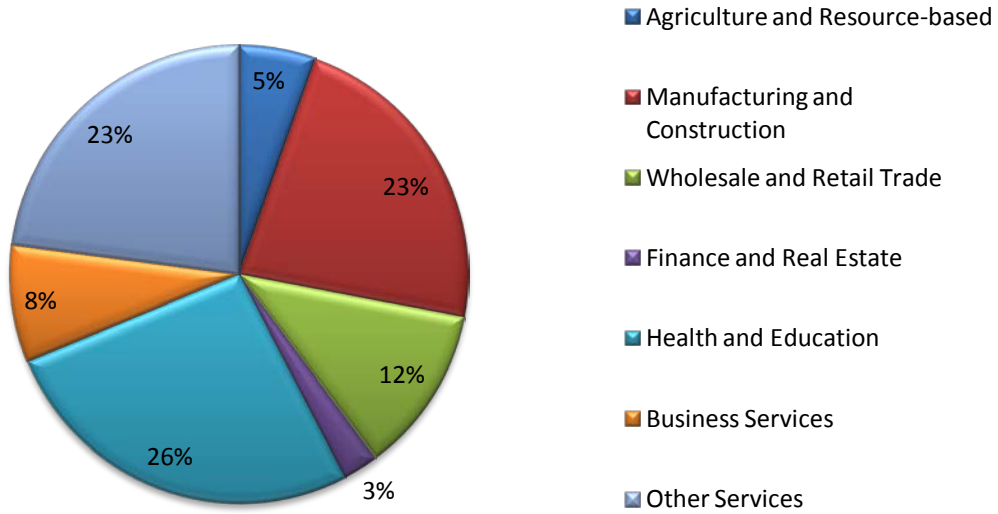


Figure 14 Employment by Industry, Dalhousie: 2001

## Employment by Industry: 2006

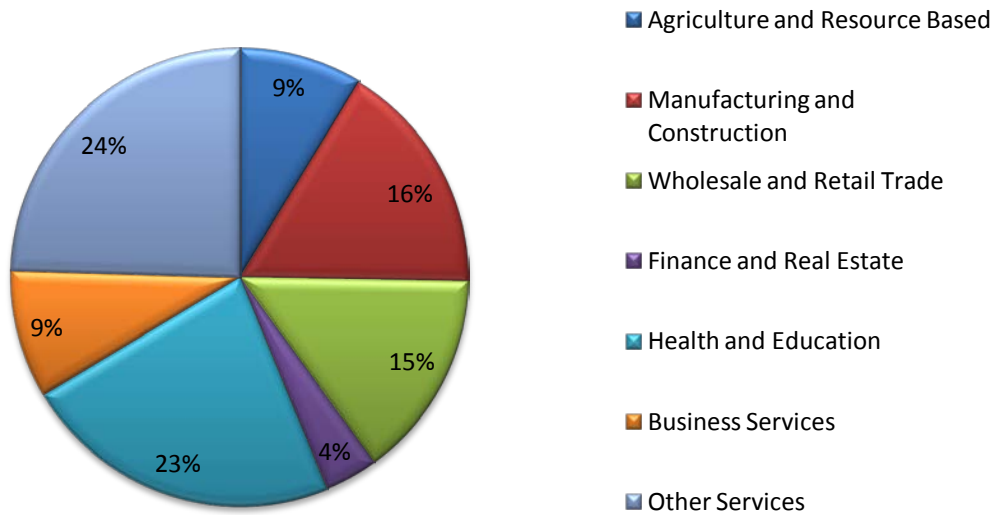


Figure 15 Employment by Industry, Dalhousie: 2006

### **Media Analysis: Mill Closure**

In late November 2007, AbitibiBowater Inc. officials announced that newsprint mill in Dalhousie would be permanently closed, citing a strong Canadian dollar, sagging demand for newsprint in North America, and rising labour and energy costs as major factors in the closure. The move came less than a month after two significant players in the paper industry, Abitibi-Consolidated Inc. and Bowater Inc., merged to become North America's third largest forest and paper products company. The Dalhousie mill closure was part of a series of cuts to AbitibiBowater Inc.'s operations, resulting in the loss of over 1600 jobs across Canada.

Media reports in the months preceding the announcement had suggested that the Dalhousie mill would likely be safe—at least in the short term—from the closures and layoffs affecting numerous mills across Canada. Prior to his company's merger with Abitibi-Consolidated Inc., Bowater Inc. CEO David Paterson expressed confidence in the management and employees at the Dalhousie mill, crediting them with making the mill competitive despite setbacks in the pulp and paper industry. One industry analyst, however, was less optimistic, speculating that while the mill was not yet on the bubble, it likely would be in the future. Many residents expressed fears about the effect the merger would have on local jobs.

Although not taken completely by surprise, community residents and officials were nonetheless reported to be extremely upset and shocked by news of the closure. MLA for Restigouche-La-Vallee Percy Mockler described being inundated with telephone calls from “devastated” mayors, business owners, workers, and residents in the region. Many had expected a temporary shutdown as opposed to a permanent closure and dismantling of the 78 year old mill. Workers reported being blindsided by the announcement; one worker expressed outrage at learning second-hand of his lost job on the evening news, rather than from company officials. Media reports suggested that Dalhousie residents were “in despair” and that a “funeral atmosphere” pervaded the town.



Figure 16 AbitibiBowater Mill, 2006. Credit-Panoramio.com/photo/3595456



## **Dalhousie Responds**

Following the initial shock, Dalhousie officials and residents began to contemplate how best to address the disheartening news. In media reports, community and union officials identified finding a new buyer for the mill as a top priority. Convincing AbitibiBowater to winterize and heat the mill and keep the infrastructure intact until a buyer could be found was deemed essential to this process. Union and community officials released a joint statement immediately following the announced closure imploring the provincial government and AbitibiBowater to afford them the necessary time and assistance required to conduct a search for potential buyers.

These efforts appear to have had some initial success. Following a round of talks with community, union, and provincial government officials, AbitibiBowater agreed to winterize and heat the mill for the duration of the winter and to hold off on dismantling important infrastructure until a buyer could be found. A deadline of September 2008 to find a buyer was agreed upon. However, company officials stated that the mill's paper machines would be removed to prevent competitors from utilizing them, to the reported consternation of union members. Protests, threats of labour militancy, and pleas from community officials to retain the machines resulted, and AbitibiBowater held off on the plan, but made it clear that the paper machines would not be sold to competitors.

## **In Pursuit of Diversification**

Meanwhile, the provincial government announced three hundred thousand dollars in funding for worker retraining and economic diversification efforts. Dalhousie mayor Clem Tremblay utilized some of this funding to create a local economic diversification committee with himself as chair and representatives of federal and provincial government, local business people, town councillors, and union workers as members. A task-force was also created with the aim of locating a buyer for the mill.

Diversification efforts would be further spurred by the announcement in March 2008 that Olin Corp. would shut down its two Dalhousie chemical plants, costing an additional 50 jobs. Mayor Clem Tremblay began to lobby the provincial Liberal government to construct a new provincial jail in Dalhousie, as well as a laundry facility that would service the provincial healthcare system. He also had talks with Ambulance New Brunswick about the possibility of opening an ambulance depot for Northern New Brunswick in Dalhousie. Tremblay and Dalhousie town council's efforts were strengthened by a joint federal and provincial government announcement of \$12 million for the Dalhousie region to diversify and revitalize its economy.

## **Difficulty Finding a Buyer**

While diversification efforts were beginning to pay dividends, the search for a buyer for the mill site continued to meet with little success. It was reported in September 2008 that a German biodiesel firm and an unknown Western Canadian firm had expressed interest in the property, but nothing concrete materialized. By October 2008, AbitibiBowater had registered the mill site for an environmental impact assessment (EIA) in order to begin the process of demolition; this, however, did not mean that the mill could not still be sold. The EIA process would take several months and AbitibiBowater would remain open to purchase offers during that time.

Then, in March 2009 it seemed a more tangible offer was on the table. Fredericton, N.B.-based Arcadia EcoEnergies Ltd. company spokesman Rene Renault outlined to reporters his company's plan to convert the mill into a bio-energy facility. The first phase of the project would consist of adding a turbine to the mill's steam plant in order to produce electricity. The second phase would involve constructing a gasification facility that would utilize organic material such as wood residue and crops to produce bio-fuels. Local officials expressed scepticism—having seen other mill sales fall through only days before completion—but remained hopeful that a deal could be reached. To date, no deal has been finalized.

## **Moving Forward**

Dalhousie faces major challenges in the years ahead. Property owners must deal with rising taxes now that AbitibiBowater and Olin Corp. no longer provide a strong industrial tax base. Population decline may occur as unemployed workers head to other provinces to find work. CN Rail recently announced it had put its Dalhousie rail line up for sale and that if a buyer or new customers to replace AbitibiBowater and Olin Corp. could not be found by 2012 the tracks would then be removed. Dalhousie's port would likely be in trouble should the tracks be removed, as it depends on rail to transport much of the cargo moving through the port.

Recent media reports suggest that community officials and residents are working hard, in conjunction with provincial government, in order to address these challenges. The local economic diversification committee has disbanded and been replaced with two action teams: the Marketing and Communications team, and the Economic Opportunities team. The former group is tasked with developing plans for youth retention, education and training, attracting young retirees and new residents, and encouraging volunteer leadership. The latter group will focus on the development of infrastructure, an investment strategy, and key assets and sectors. According to mayor Tremblay, these efforts have met with some initial success. Dalhousie community members, he said, have learned that, although there may someday be a future for forestry in the community, Dalhousie must now "turn the page and look at some new things".

## **Update**

There have been some significant developments in Dalhousie since this report was compiled. As part of the provincial government's proposed deal to sell off NB Power assets to Hydro-Quebec, the Dalhousie Generating Station would be shuttered in 2010. Close to one hundred workers in Dalhousie would lose their jobs as a result and the town would lose almost 30% of its tax revenue. The move sparked protests in Dalhousie, and Dalhousie council demanded that the provincial government do something to soften the blow. The provincial government responded, announcing a \$400 000 grant to make up the loss in the town's budget, and \$300 000 for the following year.

Several projects have also been announced that will help to offset the loss of industrial tax revenue following the mill, chemical, and power plant closures. Construction of a new jail began in the fall of 2009 to be completed in 2010. When finished, the jail will provide 65 new jobs. In November 2009, the provincial government announced a new \$31.5 million nursing home to begin construction in spring 2010. The facility is expected to provide an additional 280 jobs. The provincial government is also considering constructing an Anglophone community college in Dalhousie.

Dalhousie community officials have been working to find other opportunities as well. A committee was struck to work with the Port of Dalhousie Inc. to look at the feasibility of becoming a destination for cruise ships. A port readiness report commissioned by the committee suggested that Dalhousie could be an excellent destination with a few upgrades to its infrastructure. The Port of Dalhousie is applying for funding to further develop this opportunity.



Figure 17 Inch Arran Lighthouse, Dalhousie, N.B. Credit: [www.image20.webshots.com/.../196262684ZrkMuH\\_fs.jpg](http://www.image20.webshots.com/.../196262684ZrkMuH_fs.jpg)

### ***Selected Quotations***

*"Bowater is certainly going to be in Dalhousie for a long, long time...The course of action they are going to be taking over the next couple of months is short-term pain for long-term gain,"* Clem Tremblay, Mayor of Dalhousie, commenting on the first round of layoffs at AbitibiBowater mill. 06/09/07. Shipley, D. Telegraph-Journal. Saint John, N.B.

*"People in the Restigouche-Chaleur area are very, very upset...They are completely desperate. They didn't see it coming."* Percy Mockler, MLA for Restigouche-La-Vallee, on the announced mill closure. 11/30/07. Shipley, D. Telegraph-Journal. Saint John, N.B.

*"It's kind of the heart of the town, the mill. Everybody's pretty well shocked...It's the worst thing that could ever happen to the town."* Rhal Poirier, mill worker for 40 years, on the impending closure. 12/01/07. White, N. Telegraph-Journal. Saint John, N.B.

*"The economy was never diversified before this happened. It was, but never seriously. Why does it have to be a crisis before anything happens?"* Jerry Vienneau, mill worker for 28 years, commenting on Dalhousie's perceived lack of foresight. 12/22/07. Moore, O. The Globe and Mail. Toronto, ON.

*"We need one united voice to say there's no goddamn way they're going to take equipment out...if the young fellows don't know how to put up a picket line we'll show them how to do it... I think it does a lot of good once in a while to bloody your nose. It wakes you up."* Aurèle Ferlatte,

79 year old union member, on AbitibiBowater's intention to remove papermaking equipment from its mill. 12/22/07. Moore, O. The Globe and Mail. Toronto, ON.

*"As mayor and council, we will be supporting the workers in any way, shape or form that we can,"* Clem Tremblay, Mayor of Dalhousie, on the impending mill closure. 12/15/07. Southwick, R. Telegraph-Journal. Saint John, N.B.

*"Walking feels as if we've got no legs. They took the legs from underneath us. We counted so much on the mill for our lives, now its turmoil,"* Rene Landry, mill worker for 29 years, on the closure. 01/31/08 White, N. Telegraph-Journal. Saint John, N.B.

*"The mill gave people a sense of independence and self-reliance...Even though the mill is gone, that sense of self-reliance is still a large part of who the people are. That sense of self-reliance will take people beyond to whatever awaits them when the mill closes,"* Tony Tremblay, Canada Research Chair of New Brunswick studies, on the people of Dalhousie. 01/31/08 White, N. Telegraph-Journal. Saint John, N.B.

*"It's another nail in the coffin for the North Shore,"* Robert Aub, president of Communications, Energy and Paperworkers Union of Canada Local 243, on the closure of Olin Corp.'s chemical plants in Dalhousie. 03/13/08 Shipley, D. Telegraph-Journal. Saint John, N.B.

*"But I would have to say that it is now time for Dalhousie to move on and to move forward and to begin the removal of the former mill,"* Charles Stewart, former Dalhousie town councillor, in a letter to local newspaper. 09/24/08 Stewart, C. The Tribune. Campbellton, N.B.

*"We are there; there are some interested parties; we want to make sure we take them from being interested to being seriously interested, to making an offer, to making it happen,"* Donald Arseneault, natural resources minister and Dalhousie-Restigouche East MLA, on the ongoing search for a buyer for the closed AbitibiBowater mill. 10/15/08. Clarke, B. The Tribune. Campbellton, N.B.

*"There've been a lot of good things we've worked on. That's the key to diversification. At some time, if something happens with the mill, that's just a bonus for us,"* Donald Arseneault, natural resources minister and Dalhousie-Restigouche East MLA, on Dalhousie's diversification efforts. 01/14/09. Anonymous. The Tribune. Campbellton, N.B.

*"Forget newsprint...We can no longer entertain any possibility of going back to 1940. It's going to have to be a very different economy,"* Mike Lushington, chair of Dalhousie Adjustment

Committee, on the prospects of the mill reopening as a newsprint facility. 01/03/09. Gowan, D. Telegraph-Journal. Saint John, N.B.

*"I think the time is right for the area right now...The town is picking up. We have to turn the page and look at new things,"* Clem Tremblay, Mayor of Dalhousie, on Dalhousie's economic prospects. 01/03/09. Gowan, D. Telegraph-Journal. Saint John, N.B.

*"What is taking place in Dalhousie today, every New Brunswicker should feel sick to their stomach...We have a community that has faced the closure of the mill, the closure of chemical plants, now to face the closure of the power plant. What will happen to the port if the mill, the chemical plant and the power plant were to close?"* Conservative Woodstock MLA David Alward, on the proposed NB Power-Hydro-Quebec deal. 10/30/09). Shingler, B. Telegraph-Journal. Saint John, N.B.

### **Community Statistical Profile 2006**

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2006	3676		
Population in 2001	3928		
2001 to 2006 population change (%)	-6.4		
Median age of the population	50.3	49.1	51.8
% of the population aged 15 and over	88.3	87.1	89.6
Total private dwellings	1665		
Number of owned dwellings	1245		
Number of rented dwellings	420		
Average value of owned dwelling (\$)	67969		
Median monthly payments for rented dwellings (\$)	426		
Median monthly payments for owner-occupied dwellings (\$)	382		
Median income in 2005 - All census families (\$)	49136		
Median income in 2005 - All private households (\$)	38782		
Persons 15 years and over with income (counts)	3020	1390	1625
Median income - Persons 15 years and over (\$)	19535	28564	16155
Immigrants	60	25	35
Non-permanent residents	0	0	0

Aboriginal identity population	155	80	80
Total Pop. 15 years+ with a High school certificate or equivalent	635	335	295
Total Pop. 15 years+ with a University certificate; diploma or degree	260	115	145
Labour Participation rate	48.1	54.7	42.4
Employment rate	42.6	46.7	38.9
Unemployment rate	11.7	14.6	8.4

### ***Community Statistical Profile 2001***

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2001	3975		
Population in 1996	4500		
1996 to 2001 population change (%)	-11.7		
Median age of the population	46.6	44.8	48.3
% of the population ages 15 and over	86.7	85.4	88.3
Total private dwellings	1864		
Number of owner-occupied dwellings	1265		
Number of rented dwellings	405		
Average value of dwelling (\$)	59755		
Average gross monthly payments for rented dwellings (\$)	459		
Average monthly payments for owner-occupied dwellings (\$)	491		
Median family income; 2000 (\$) - All census families	47035		
Median household income; 2000 (\$) - All Private Households	37401		
Persons 15 years of age and over with income	3080		
Median total income of persons 15 years of age and over (\$)	17937		
Immigrants	80	15	65
Non-permanent residents	0	0	0
Aboriginal identity population	150	75	70
% of population 20-34 with high school graduation certificate	37.4	38.3	36.5
% of population 20-34 with university certificate; diploma or degree	15.2	10.6	21.2

% of population 35-44 with high school graduation certificate	28.3	25.5	27.7
% of population 35-44 with university certificate; diploma or degree	12.5	9.1	12.3
% of population 45-64 with high school graduation certificate	16.3	11.2	20.6
% of population 45-64 with university certificate; diploma or degree	8.6	9.3	8.7
Labour Participation rate	49.2	51.4	47.4
Employment rate	41.5	43.4	39.1
Unemployment rate	16	15.6	16.3

Company	Mill or Machine & Product	Date Announced	Effective Date	Duration	Closure Type	Layoffs	Capacity Reduced	Unit
AbitibiBowater	Dalhousie Mill, Newsprint	29/11/2007	31/01/2008	Permanent	Full Mill	350	250000	Tonnes

Figure 18 Table of Mill Closures, Dalhousie, N.B.

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Statistics Canada. 2001. *Community Profiles: Dalhousie, N.B.* Statistics Canada Catalogue no. 93-F00-53XIE. Ottawa. Version modified Feb. 2/07 <http://www12.statcan.ca/english/profil01/CP01/Index.cfm> (06/01/09)

Ville de Dalhousie. 2009. *Village of Dalhousie Website*. Version Modified Jun. 09. <http://www.dalhousie.ca/> (06/01/09)



# Fort St. James Community Report

## Overview

In 2007, the forestry dependent District of Fort St. James experienced a spate of mill closures. The indefinite shutdowns of the Pope and Talbot and Stuart Lake lumber mills, combined with shift reductions at Apollo Forest Products, resulted in the loss of a significant number of jobs in the community. These events have presented considerable challenges to Fort St. James' economic sustainability and vitality. 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 describe the context and timeline of events leading up to and following the mill closures. A selection of quotations from community members, officials, and concerned parties is also included.

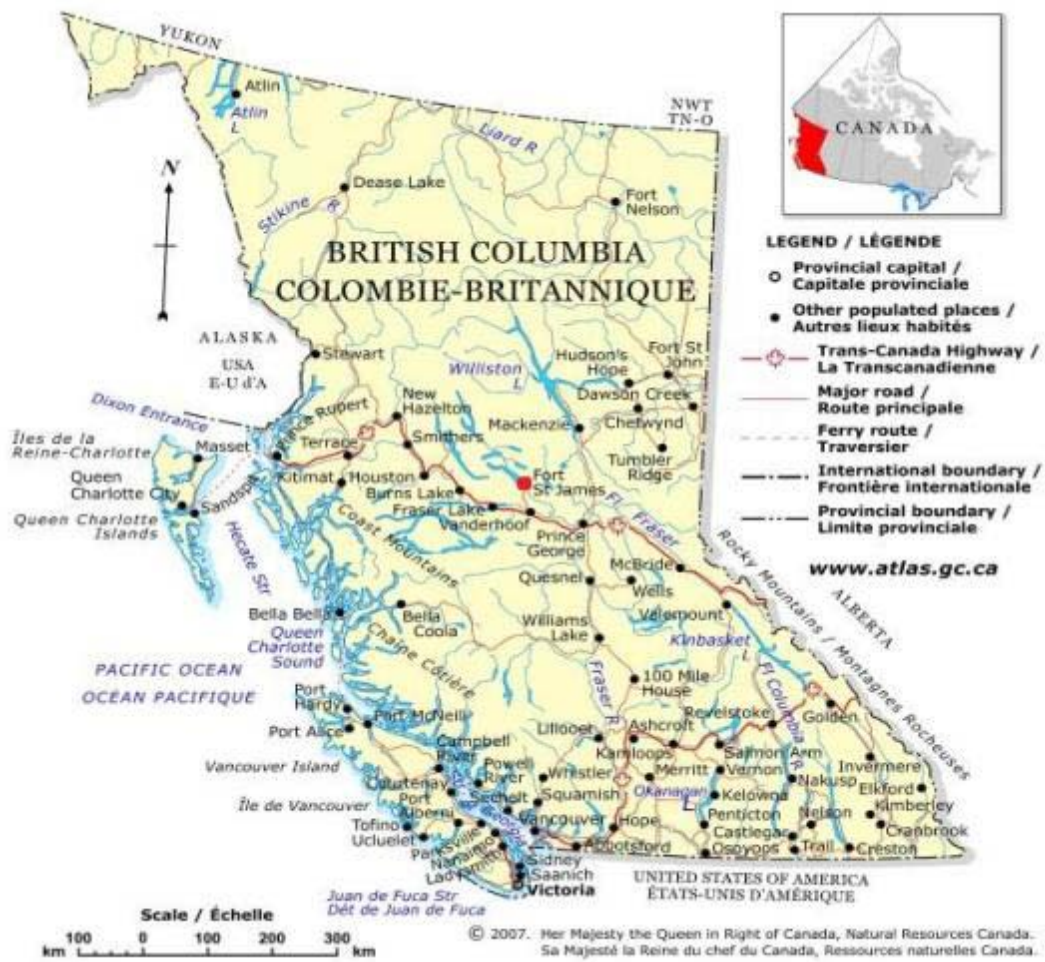


Figure 19 Map of British Columbia. Credit: [www.atlas.gc.ca](http://www.atlas.gc.ca)



Figure 20 Satellite Map of Fort St. James Area. Credit-Google Maps

### ***Community Description***

The community of Fort St. James is located in north-central British Columbia, on the south-eastern shore of Stuart Lake. Adjacent to several First Nations communities and reserves, the town occupies land in the heart of Dalkeh First Nation traditional territory. Formerly a fur-trading post, Fort St. James was founded in 1806 by explorer and fur-trader Simon Fraser making it the oldest, continuously-inhabited, European settlement in the province of British Columbia.

Following the decline of the fur-trade in the 1880's and 90's, the economy of Fort St. James experienced little growth until the introduction of the BC Railway in the late 1960's. The railway proved to be a boon, helping to develop the local economy through construction, mineral exploration, and a burgeoning forest industry. A mercury mine provided significant employment throughout the late 1960's and early 70's, but it would be forestry that would consistently form the backbone of the Fort St. James economy.

Today, Fort St. James remains a resource dependent community, although diversification efforts have met with some success. A burgeoning tourism sector provides an alternative to the forestry, mining, and ranching industries. The service and supply sectors rely heavily on local primary industry, but community leaders have plans to expand Fort St. James' role as a commercial centre servicing residents, visitors, and companies. Recent adversity in the forestry industry—including several mill closures—has helped to spur diversification efforts.

## Selected Characteristics

### Population Decline

While British Columbia as a whole has seen a small but steady population increase, the situation in Fort St. James has been the opposite, as population levels have been trending downward significantly and at a rapid pace. A 5.8% population decrease in the five year census period between 1996 and 2001 was followed by an additional population decrease of 29.7% in the 2001 to 2006 census period, a net loss of almost 700 residents. However, the fact that this decline took place before the mill closures occurred coupled with the lack of media reportage of such a staggering population loss raises questions about the accuracy of the reported population change.

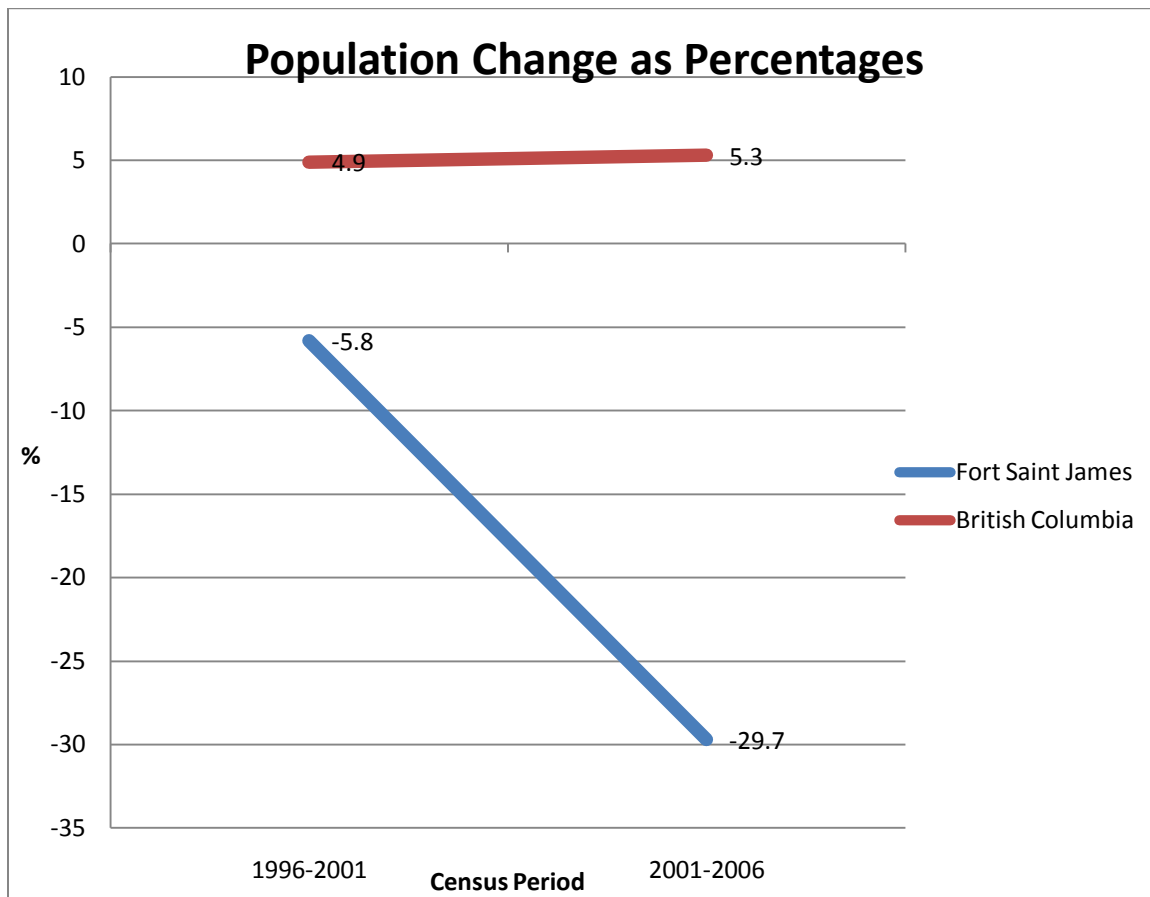


Figure 21 Population Change in Fort St. James and British Columbia as Percentages

## Unemployment

Total unemployment rates in Fort St. James show an increase between the 2001 and 2006 census periods. Although Fort St. James enjoyed a lower unemployment rate in 2001 (7.2%) than that of B.C. as a whole (8.5%), its rate has since increased (7.9%) while B.C.'s rate has decreased (6%). Notably, during the same time period the unemployment rate for men in Fort St. James doubled, while the men's rate for B.C. declined. If not for the substantial decrease in the women's unemployment rate in Fort St. James compared to the B.C. average, the total unemployment rate in Fort St. James would be much higher.

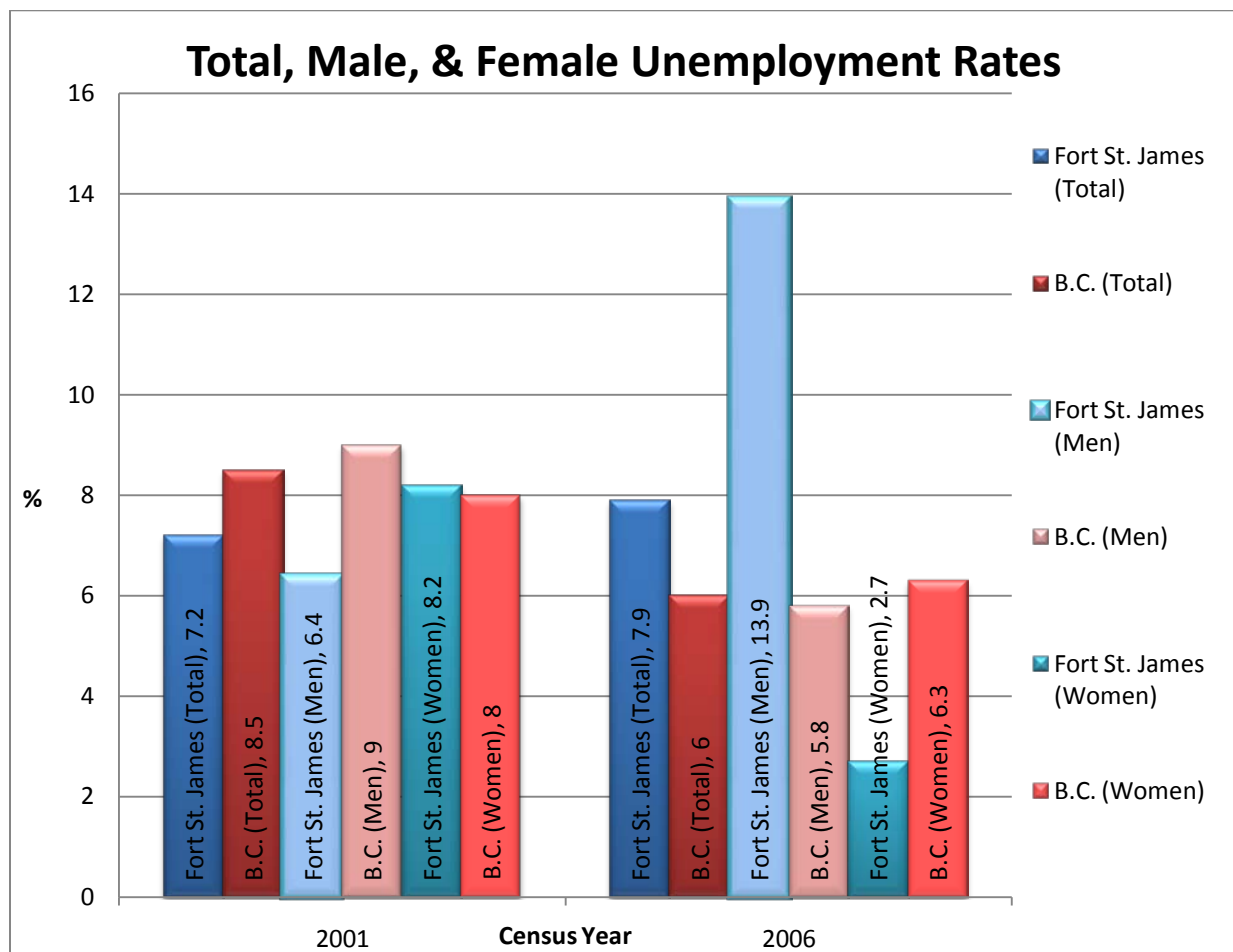


Figure 22 Unemployment Rates in Fort St. James and British Columbia- 2001 & 2006

## Employment by Industry

A comparison of employment by industry in Fort St. James between 2001 and 2006 reveals significant decreases in the number of people employed in manufacturing and construction, wholesale and retail trade, and other services. These decreases likely reflect the effects of decline in the forest industry and the ripple effect on supporting sales and services. Despite the decline, manufacturing and construction industries remain the largest employers in Fort St. James

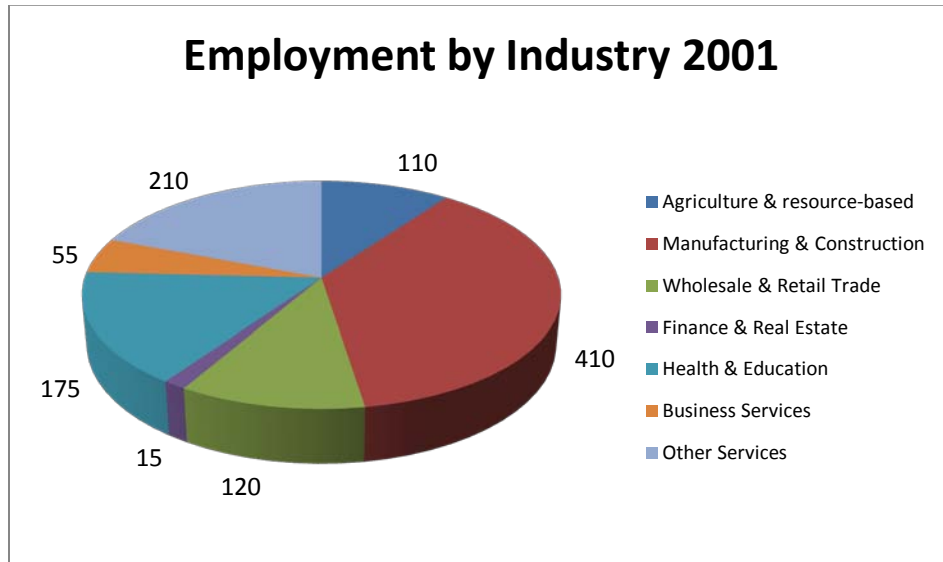


Figure 23 Employment by Industry in Fort St. James- 2001 by number of people

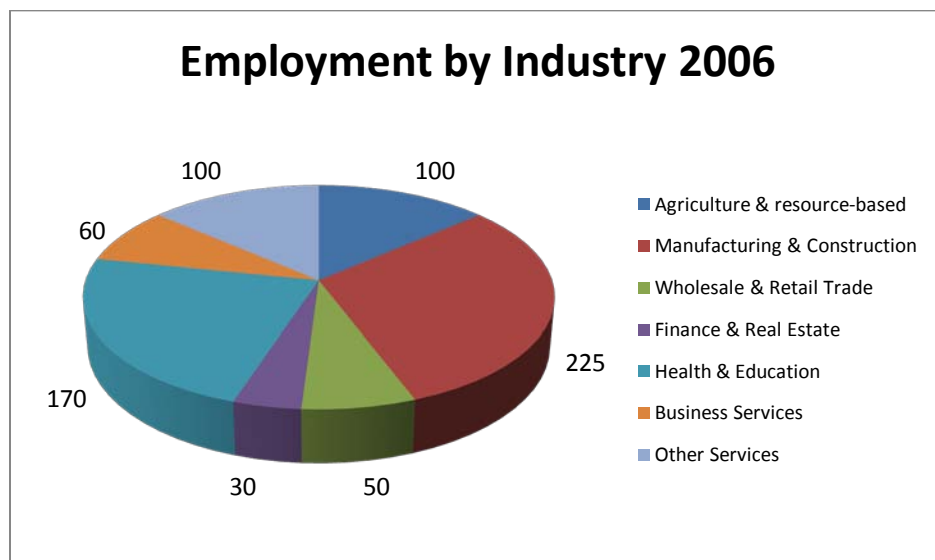


Figure 24 Employment by Industry in Fort St. James- 2006 by number of people

## **Media Analysis 2007 Mill Closures**

### **Stuart Lake Lumber**

In early May 2007, it was reported that the Stuart Lake Lumber mill would close its doors indefinitely by the end of the month. A total of 85 employees—representing more than 10 percent of Fort St. James’ labour force by 2006 numbers—would be affected by the closure. Low lumber prices linked to a sagging U.S. housing market, a rising Canadian dollar, and a U.S. imposed 15% export tax on Canadian softwood shipments combined to create a situation in which operating the mill was no longer financially viable for the family owned and operated company.

Media reports following the closure suggested that many Fort St. James residents were concerned about the future of their community. One commentator likened the closure of the locally owned mill to “a knife being plunged into the very soul of the community”. The local mayor expressed disappointment at the loss of a local business and worry about the effects that the significant job losses would have on the local economy. An opinion piece in the local paper urged Fort St. James residents to maintain a positive outlook regarding their community by pointing out that Fort St. James had been through economic troubles before and survived.



Figure 25 Northern Interior Forest Products Mill, Fort St. James. Credit. [www.for.gov.bc.ca](http://www.for.gov.bc.ca)

### **Pope and Talbot Ltd.**

Fort St. James residents would soon have more cause to be concerned as reports began appearing in Aug. 2007 detailing the financial difficulties of U.S. based forestry company Pope and Talbot. With over 300 workers at their Fort St. James sawmill operation, and another 100 as loggers and suppliers, Pope and Talbot was the community’s single largest employer; over a third of the available labour force was directly and indirectly employed by Pope and Talbot. After being delisted from the New York Stock Exchange and filing for bankruptcy protection,

Pope and Talbot eventually announced it would be shutting down its Fort St. James lumber mill indefinitely.

News of the closure was not well received. Fort St. James mayor Rob MacDougall described the news as “devastating, to say the least”. NDP forestry critic Bob Simpson warned that B.C. forestry communities like Fort St. James were “facing a disaster”. One Fort St. James resident predicted that “this town is going to die”. Various sources reported that the Pope and Talbot closure, combined with the earlier Stuart Lake closure, represented a significant economic hit to the community, affecting over half of the district’s work force.



Figure 26 P & T Mill Sign. Credit: [www.poptal.com](http://www.poptal.com)

### **Fallout and Community Response**

Based on media reports immediately following the closures, community responses were present but appeared to be somewhat limited. One source suggested that residents were upset with a perceived lack of action by the mayor and council on the issue, calling them “quiet” in comparison to the “noise” made by their counterparts experiencing similar circumstances in Mckenzie, B.C. Mayor and council responded by publishing an article in the local news detailing a number of actions being taken to address the closures including: requesting assistance from the Ministry of Community Services, arranging meetings with officials from similarly affected communities in an effort to coordinate responses, and attempting to ensure that timber rights would remain tied to the Fort St. James mill in the event of a sale (despite recent legislative changes to this requirement).

Other community members also began to take preliminary action in the early months following the closures. Vice president of Steelworkers Local 1424 Francois Hamel suggested in a letter to the local newspaper that the community should consider partial or full ownership of the struggling mill. An article in the same newspaper encouraged Fort St. James residents to write letters to provincial and federal politicians in order to garner attention to the

community's plight. A local reporter promised to make the Caledonia Courier the voice of the community and encouraged residents to work together to overcome the difficulties facing Fort St. James.

Momentum and support for community action began to gather rapidly in the early part of 2008 with the news that Asia Pulp and Paper had missed an agreed upon deadline to purchase the Fort St. James pulp mill from insolvent Pope and Talbot. The Steelworkers Local 1424 developed a Rapid Response program to assist and provide information to forest workers affected by curtailments. A diverse group of community members including union and non-union mill workers, contractors, business people, Nak'azdli Band members, and concerned residents rallied outside the provincial roundtable on forestry meeting in Vanderhoof, B.C. One former mill worker decried the provincial government's \$2 million aid package as "not enough" and, further, called for the government to step in and operate the idled mill.

### **Infighting**

In late May 2008, media reports again indicated the presence of tensions between Fort St. James community residents and officials. Upset with a perceived lack of media attention for Fort St. James' plight, a local resident expressed frustration with district officials, challenging them to explain what they had been doing to address the situation. An editorial in the Caledonia Courier called on both sides to open the lines of communication and work together to put an end to rumours and infighting. Mayor and council again responded with a description of ongoing dialogues and initiatives that they had been developing.

Renewed community efforts were soon apparent. In early June 2008, Nak'Azdli Band, Tl'Azt'en Nation, and Fort St. James issued two joint statements providing reasons for the continued operation of the former Pope and Talbot mill along with a warning that any attempt to remove logs from the Fort St. James Forest District would not be tolerated. Media reports called the move "a step in the right direction". Later in the month, it was reported that Fort St. James businesses had banded together to form an association to represent their interests to local and provincial government. A Concerned Citizens of Fort St. James Committee was formed and, with the aid of the Stand Up For the North group, a Save Our Community rally and meeting was held which resulted in the drafting of a set of resolutions that were then forwarded to members of both provincial and federal government.

### **Light at the end of the tunnel**

Fort St. James received some good news in early July 2008 when it was announced that B.C. based forestry company Conifex Inc. had purchased the idled Pope and Talbot mill and its associated forest license. Reports of community attitudes concerning the purchase were decidedly positive due to Conifex officials expressed interests in keeping the mill operating; one



report compared Conifex senior financial executive Ken Shields to cavalry poised to “ride to the rescue of Fort St. James”. Conifex executives were invited to a community breakfast which helped to create a dialogue between the company and Fort St. James residents and officials. As of March 2009, the mill had reopened—albeit not yet at full capacity—with employees wages being tied to market conditions.



Figure 27 Conifex CEO Ken Shields speaks at Northern Development Initiative conference. Credit: [www.northerndevlopment.bc.ca](http://www.northerndevlopment.bc.ca)

Less well received was the news that the Stuart Lake Lumber mill and the accompanying forest license had been purchased by West Fraser. Reports suggested that Fort St. James community members were wary of the purchase by a large company with no local interests or expressed intentions to keep the mill operating. Community groups in Fort St. James and other forestry dependent communities continued and continue to lobby government for a new form of appurtenancy—the former policy which tied logging rights to specific mills or communities—shaped by the needs and interests of local communities.

### **Moving Forward**

All things considered, it seems that Fort St. James is well-positioned to recover from the crisis in the forest industry. With all of Apollo Forest Products, Northern Interior Forest Products, and Conifex continuing to operate despite unfavourable market conditions, Fort St. James has been so far been able to avoid the hardship associated with permanent closures. Additionally, the Mt. Milligan copper and gold mine project has recently passed provincial environmental assessment. The project would provide 370 jobs during the 30 month construction phase and 400 permanent full time positions annually for the 15 year lifespan of the mine.

Community officials realize that this type of development would imply only short term benefits, and as such are working hard to diversify the economy in order to ensure a sustainable future for one of B.C.'s oldest communities.

## Update

There have been a number of developments in Fort St. James since this report was compiled. In November 2009, the Stuart Lake Lumber mill was purchased by Dunkley Lumber. The mill had been shuttered since 2007 and Dunkley officials expressed no immediate plans to operate it or begin logging in the near future. To date, the mill remains shuttered.

Also in November 2009, federal and provincial infrastructure funding was announced for the connector route between Fort St. James and Mackenzie. Fort St. James community officials expressed delight at the announcement. Increased economic opportunities due to new forestry and tourism opportunities are expected to result from the connector project.

In December 2009, the Mount Milligan mine project received the federal environmental assessment certificate needed in addition to the provincial certificate. Fort St. James community officials see the project as an incredible boon for their community. The mine, they say, will provide hundreds of construction jobs and substantial increases in retail, services, property sales, and general business activity. Additionally, the mine project will allow the community time to diversify their economy into tourism and agriculture in order to become less resource dependent.



Figure 28 Kayaker on Stuart Lake. Credit: [www.stuartnechako.ca/fort-st-james](http://www.stuartnechako.ca/fort-st-james)

### ***Selected Quotations***

*"We as a council will do everything we can and exhaust every avenue to insure that, if in the long term if they cease to operate, then that was the only decision they could make."* Former Fort St. James mayor Rob MacDougall, on the indefinite shutdown of Stuart Lake Lumber. (05/02/07) Lamb, S. Caledonia Courier. Fort St. James, B.C.

*"...it's very difficult, but I've asked the public to roll up their sleeves and get at it, and let's remain positive and let's find a solution moving forward."* Former Fort St. James mayor Rob MacDougall, on the indefinite shutdown of Pope and Talbot's mill. (11/28/07) Hoekstra, G. Prince George Citizen. Prince George, B.C.

*"This town is going to die."* Fort St. James truck shop owner Ross Dirnback, on Fort St. James' prospects following the mill closures. (11/15/07) Hoekstra, G. Prince George Citizen. Prince George, B.C.

*"When a sale of this facility is proposed, the option of processing the timber volume elsewhere is not an option, the mill must operate."* Position of the former Fort St. John mayor and council regarding the Pope and Talbot mill and forest license. (19/12/07) Anonymous. Caledonia Courier. Fort St. James, B.C.

*"To me it has been proved that the future of this community is not a forefront priority on these corporations' minds... We need to start taking care of our own destiny and ourselves."* Steel Workers Union Local 1424 Vice-President Francois Hamel, on the possibility of community ownership of the Pope and Talbot mill. (19/12/07)

*"...the key is going to be that we work together as a community and stand as one. We have to put away those things that separate us and stand united."* From an editorial in the Caledonia Courier, on the challenges facing Fort St. James. (13/02/08) Anonymous. Caledonia Courier. Fort St. James, B.C.

*"Fort St. James has been around for 200 years and has faced adversity before and will get through this."* Fort St. James business owner speaking anonymously, on uncertainty following mill closures. (07/05/08) Playfair, R. Caledonia Courier. Fort St. James, B.C.

*"The injury to one community is an injury to everyone...We have to have people coming together to show the politicians that we aren't going to let our communities go in this circumstance."* Stand Up For the North Committee leader Peter Ewart, at a rally in Vanderhoof attended by Fort St. James concerned parties. (28/05/08) Playfair, R. Caledonia Courier. Fort St. James, B.C.

*"We have to work together as a community, and as has been said often, we have to speak face to face, and frankly and leave the rumours at the door."* From an editorial in the Caledonia Courier, encouraging open communication between Fort St. James officials and community members. (28/05/08) Anonymous. Caledonia Courier. Fort St. James, B.C.

*"Tell the people, as well as the province. Let them know we will not quit, we will not go down without a fight."* Fort St. James resident Sarah Grill, urging mayor and council to follow the example of MacKenzie. (28/05/08) Grill, S. Caledonia Courier. Fort St. James, B.C.

"We need a new model and a new vision, big companies and the government model (hasn't worked)... Vision doesn't start in Victoria, or New York. Forestry starts in the community with people who know the industry." Stand Up For the North Committee leader Peter Ewart, on the importance of a new appurtenancy policy for B.C. (12/11/08) Anonymous. Caledonia Courier. Fort St. James, B.C.

"We don't have any plan for the site, one way or another. It's an opportunity that we think will probably have some future benefit." Dunkley Lumber manager Blair Mayes, on the purchase of Stuart Lake Lumber mill. (11/25/09) Hoekstra, G. Prince George Citizen. Prince George, B.C.

### **Community Statistical Profile 2006**

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2006	1355		
Population in 2001	1927		
2001 to 2006 population change (%)	-29.7		
Median age of the population	37.4	38.4	36.6
% of the population aged 15 and over	77.5	76.1	78.7
Total private dwellings	756		
Number of owned dwellings	425		
Number of rented dwellings	135		
Average value of owned dwelling (\$)	126395		
Median income in 2005 - All census families (\$)	80483		
Median income in 2005 - All private households (\$)	67671		
Persons 15 years and over with income (counts)	1060	485	575
Median income - Persons 15 years and over (\$)	33649	51817	24598
Median monthly payments for rented dwellings (\$)	499		
Median monthly payments for owner-occupied dwellings (\$)	705		
Immigrants	240	125	120
Non-permanent residents	0	0	0
Aboriginal identity population	160	55	110
High school certificate or equivalent	250	105	150
University certificate; diploma or degree	165	55	105
Labour Participation rate	71	80.6	62.9
Employment rate	65.4	70.4	62.1
Unemployment rate	7.9	13.9	2.7

## Community Statistical Profile 2001

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2001	1927		
Population in 1996	2046		
1996 to 2001 population change (%)	-5.8		
Median age of the population	32.2	32.4	31.9
% of the population aged 15 and over	78.2	77.4	78.6
Total private dwellings	725		
Number of owned dwellings	505		
Number of rented dwellings	225		
Average value of owned dwelling (\$)	119004		
Median income in 2005 - All census families (\$)	61709		
Median income in 2005 - All private households (\$)	60005		
Persons 15 years and over with income (counts)	1425		
Median income - Persons 15 years and over (\$)	27785		
Average monthly payments for rented dwellings (\$)	599		
Average monthly payments for owner-occupied dwellings (\$)	911		
Immigrants	185	105	80
Non-permanent residents	0	0	0
Aboriginal identity population	500	225	275
% of the population aged 20-34 with a high school graduation certificate and/or some postsecondary	20.9	18.8	23.3
% of the population aged 20-34 with a university certificate; diploma or degree	23.1	18.8	27.9
% of the population aged 35-44 with a high school graduation certificate and/or some post-secondary	38.2	36.1	39.4
% of the population aged 35-44 with a university certificate; diploma or degree	7.4	5.6	9.1
% of the population aged 45-64 with a high school graduation certificate and/or some post-secondary	17.6	9.8	27.5
% of the population aged 45-64 with a university certificate; diploma or degree	9.9	5.9	15
Labour Participation rate	73.1	79.6	66.2
Employment rate	67.9	74.5	60.8
Unemployment rate	7.2	6.4	8.2

Figure 29 Table of Mill Closures in Fort St. James

Company		Mill or Machine & Product			Date Announced	Effective Date	Duration	Closure Type	Layoffs	Capacity Reduced	Unit
Apollo Products	Forest	Apollo Lumber	Forest	Products,	27/10/2007	27/10/2007	Indefinite	Shift Reduction	35	NA	NA
Pope & Talbot Ltd.	Talbot	Fort St. James Lumber	St. James	Division,	05/11/2007	05/11/2007	Indefinite	Full Mill	137	NA	NA
Stuart Lumber	Lake	Stuart Lake Lumber,	Lumber		16/05/2007	30/05/2007	Indefinite	Full Mill	85	50 000	MBF

### Sources

*Caledonia Courier*. Fort St. James, B.C.

*Prince George Citizen*. Prince George, B.C.

*Vancouver Sun*. Vancouver, B.C.

*Times-Colonist*. Victoria, B.C.

*Omineca Express*. Vanderhoof, B.C.

*Alaska Highway News*. Fort St. John, B.C.

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Statistics Canada. 2006. *Community Profiles: Fort St. James, B.C.* Statistics Canada Catalogue no. 92-591-XWE. Ottawa. Version modified Mar. 10/09 <http://www12.statcan.ca/census-recensement/2006/dp-pd/prof/92-591/index.cfm?Lang=E> (06/01/09)

Statistics Canada. 2001. *Community Profiles: Fort St. James, B.C.* Statistics Canada Catalogue no. 93-F00-53XIE. Ottawa. Version modified Feb. 2/07 <http://www12.statcan.ca/english/profil01/CP01/Index.cfm> (06/01/09)

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# Mackenzie Community Report

## Overview

Beginning in the spring of 2007, the heavily forest dependent District of Mackenzie was rocked with a series of mill closures. Indefinite shutdowns and shift curtailments at nearly every forest product manufacturing facility in Mackenzie resulted in the direct loss of over 1300 jobs in the community. These events have presented considerable challenges to Mackenzie's economic sustainability and vitality. 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 describe the context and timeline of events leading up to and following the mill closures. A selection of quotations from community members, officials, and concerned parties is also presented.

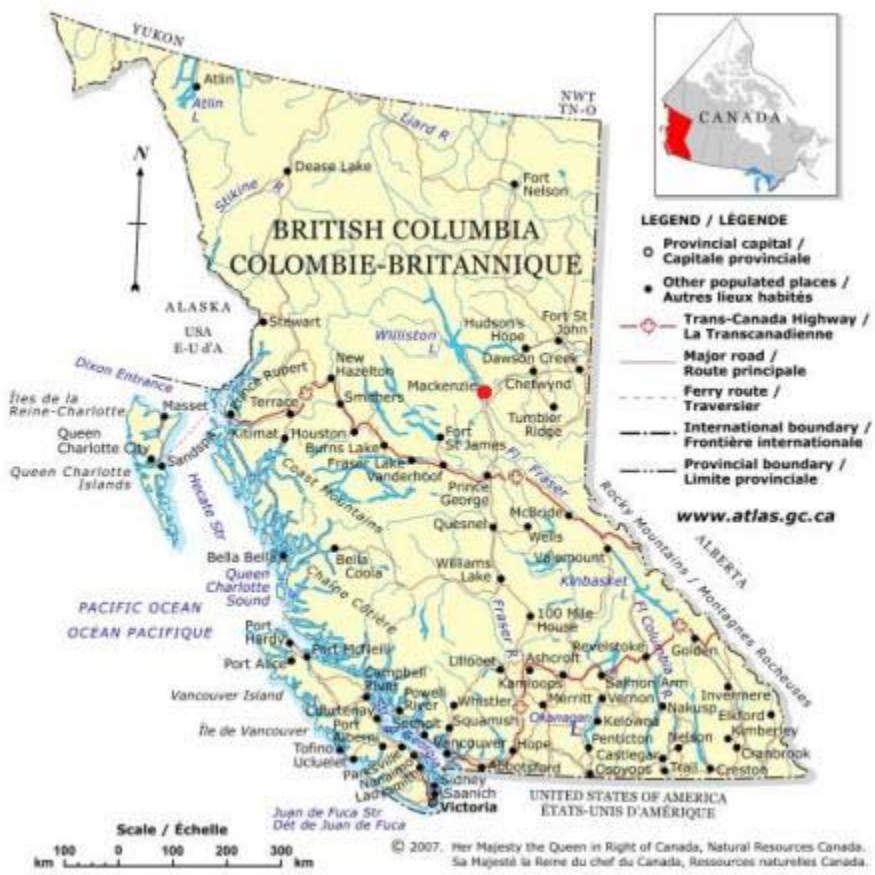


Figure 30 Map of British Columbia. Credit- [www.atlas.gc.ca](http://www.atlas.gc.ca)



Figure 31 Satellite Map of Mackenzie. Credit- Google Maps

### ***Community Description***

The District of Mackenzie is located in the North-Central interior of British Columbia, at the South end of the province’s largest man made reservoir, Williston Lake. A so-called “Instant Town”, the District of Mackenzie was created in order to service the burgeoning forest industry that arose in the area during the construction of the W.A.C. Bennett hydro-electric dam.

Mackenzie’s incorporation as a municipality occurred in 1966, and Alexandra Forest Industries was commissioned to construct the infrastructure required for a townsite: homes, schools, hospitals, sewer, water, etc. When this work was completed in 1975, Mackenzie began to attract young families keen to make a living in the forest industry. Throughout its short history, Mackenzie has been characterized by an almost total dependence on its forest resources, with the vast majority of residents employed either directly in the forest industry, or in supporting industries in the service and supply sectors.

Due to this high level of resource dependence, Mackenzie has been hit extremely hard by the downturn in the forest industry, resulting in high levels of unemployment and severe population decline. Community officials have worked to diversify the economy in order to bring jobs and human capital back to Mackenzie. Some of these efforts have shown some initial success, with the community benefitting from forays into alternative energy generation, mining, and tourism. It remains to be seen whether Mackenzie can survive the current crisis.



## Selected Characteristics

### Population Decline

Population declined significantly in Mackenzie in the ten year period between 1996 and 2006. Between 1996 and 2001, population in Mackenzie declined by 13.2%. Between 2001 and 2006, a further 12.8% decline was reported. This decline occurred during a period of overall population growth in the province, as British Columbia reported population gains of around 5% per census period.

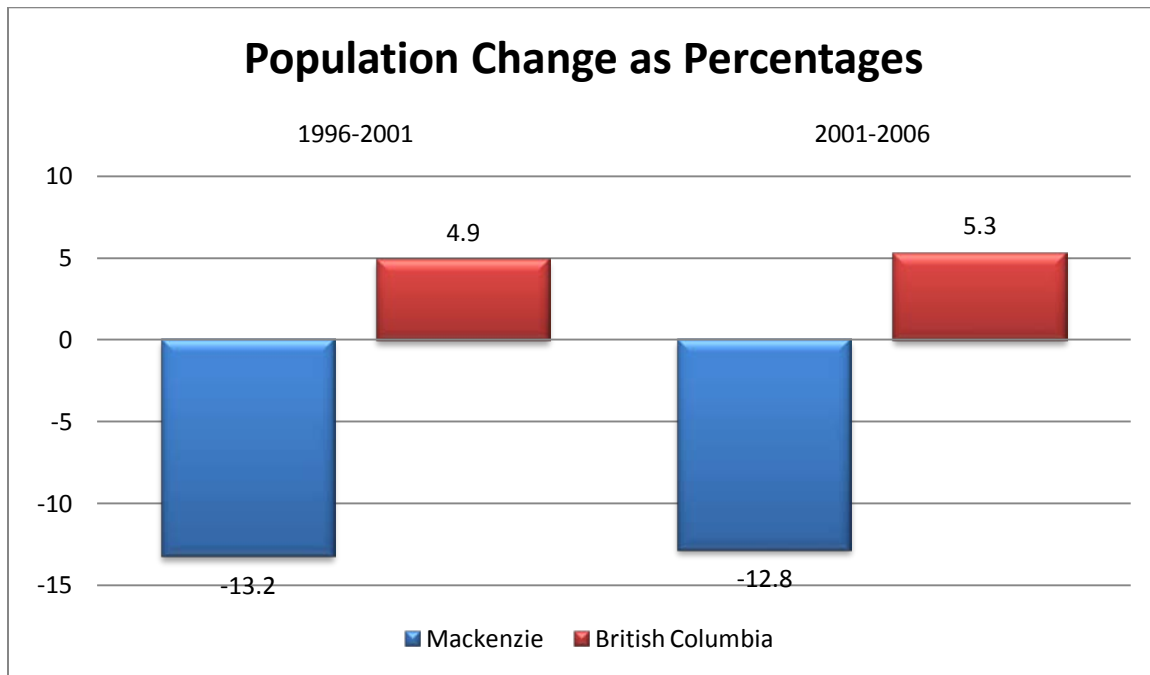


Figure 32 Population Change in Mackenzie and British Columbia as Percentages

### Unemployment

At the 2001 census, Mackenzie enjoyed a lower overall unemployment rate than British Columbia as a whole, suggesting that Mackenzie’s economy was doing relatively well. However, at the 2006 census, the unemployment rate had risen in Mackenzie while the overall unemployment rate in British Columbia had declined, suggesting that Mackenzie had begun to experience economic troubles as early as 2006.

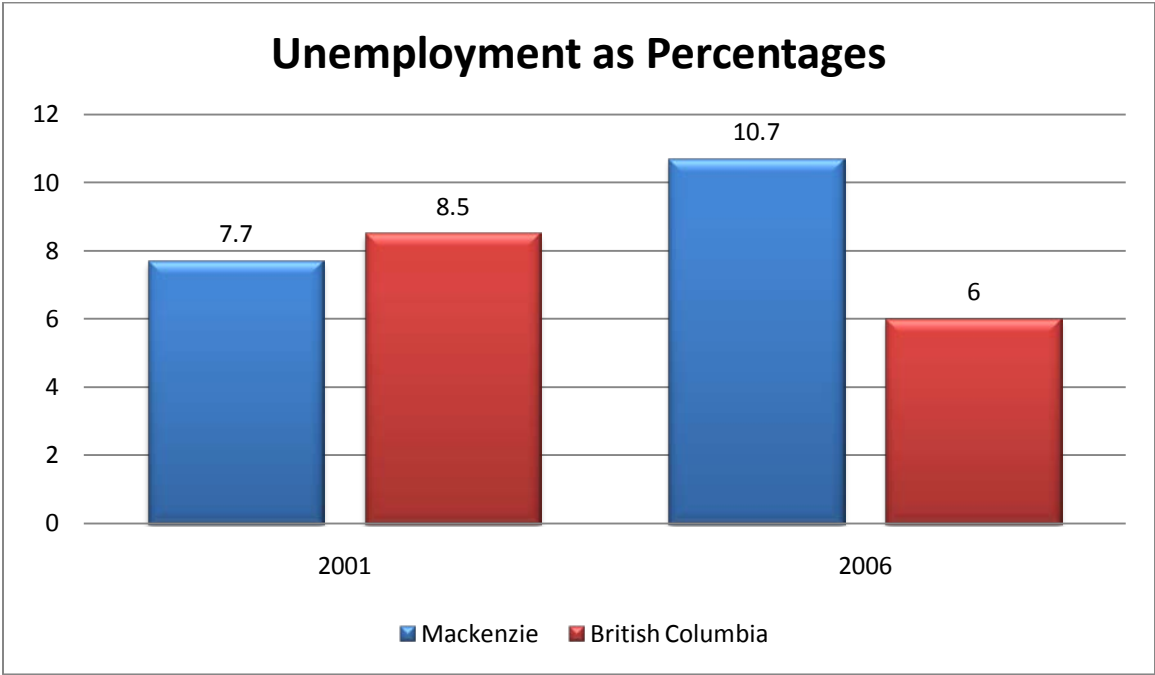


Figure 33 Unemployment Rates in Mackenzie and British Columbia as Percentages

### Employment by Industry

Employment in Mackenzie is heavily concentrated in forest products manufacturing and related industries, representing more than a 50% share of the labour force. Much of the retail and wholesale trade, business, and other services sectors, as supporting industries, are also heavily dependent on the forest industry in Mackenzie.

## Employment by Industry: 2001

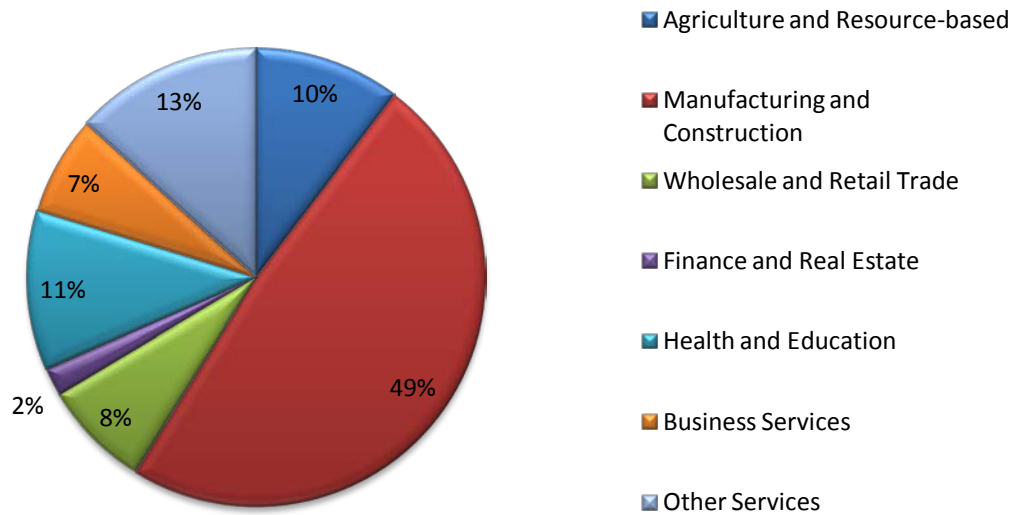


Figure 34 Employment by Industry, Mackenzie: 2001

## Employment by Industry: 2006

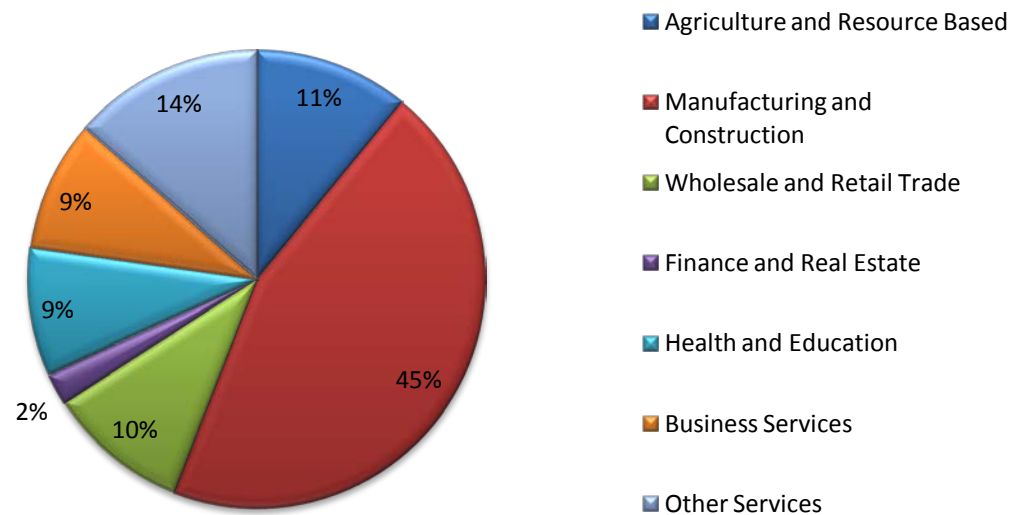


Figure 35 Employment by Industry, Mackenzie: 2006

### ***Media Analysis: Mill Closures in Mackenzie***

The first major mill closure in the District of Mackenzie was announced May 23, 2007. On that day, Canfor revealed that it would be implementing an indefinite shutdown of its Mackenzie sawmill in mid August, when log inventories had been used up. Canfor representatives pointed to depressed lumber prices resulting from a slump in the U.S. housing market and high operational costs related to the then soaring Canadian dollar as reasons for the shutdown. Media reports estimated that over 800 hundred people would be affected, with 450 direct job losses in the mill itself, and another 400 or so indirect job losses in the logging and trucking sectors.

Media reports immediately following the announcement suggested that community officials were intensely worried about what sort of impact the closure would have on the community. Mackenzie Chamber of Commerce President Mark Robillard commented that the 450 axed mill jobs represented a combined loss of \$28 million in income, a fact that had retailers and other businesses in the community concerned about their bottom lines. Mackenzie Mayor Stephanie Killam expressed concern at the prospect of losing skilled young tradespeople and their families to other communities in B.C. and Alberta, many of which were enjoying economic booms and subsequent labour shortages due to the thriving oil and gas sector (her concerns were well founded—immediately following the closure announcement, the Mackenzie Times swelled with several pages of Help Wanted ads from employers across the country).

### **Taking Action**

Community officials were quick to mount a response. Mayor Killam and the Mackenzie council attended a meeting at UNBC in Prince George, where they met with officials from the Ministry of Forests, the Ministry of Community Services, the Northern Trust, the Northern Central Municipal Association, Northern Health, and others in order to discuss and devise a comprehensive community strategy for Mackenzie moving forward. Later, a public information session was held in Mackenzie to inform the public of measures being taken by government, community officials, and service providers to address the closure.

The task of the municipal government would be to provide worker adjustment support and services, and maintain health, education, and crisis support services certainty. Additionally, Council began efforts to attract other employers to Mackenzie, and to fast-track diversification initiatives, including projects in mining, tourism, and alternative energy. When asked if council would lobby Canfor to alter its decision, Mayor Killam responded that dealings with Canfor would be left up to Prince George-North MLA Pat Bell. At Bell's urging, the provincial government soon announced it would up the amount of yearly B.C. Timber Sales wood on the

market for the Mackenzie area, in order to reduce log costs for operators. Eventually, Canfor agreed to keep one of its two sawmills open, with the result being significantly fewer job losses than initially expected.

### **More Bad News**

Mackenzie was soon facing more uncertainty in November 2007 with the announcement that AbitibiBowater (AB) would close its two sawmills and one newsprint mill in the community, eliminating an additional 550 jobs. The closures were announced as indefinite mothballings, however media reports suggested the closures were expected to be permanent. Part of a spate of cuts to operations across Canada following a merger between Abitibi and Bowater, AB officials cited the weak lumber market and high Canadian dollar as necessitating factors in the closures.

Mayor Killam called the announced closures “devastating”. Media reports following the announcement carried less than optimistic headlines such as “Gloomy Future Ahead For Mill Workers” and “Death of a Mill Town”. Throughout the community, employers and employees alike were feeling the effects of the closures. Six of Mackenzie’s eight logging camps had been shut down, and truckers were short of work. Many small businesses experienced significant declines in sales and were forced to lay off employees. The transition centre saw a large number of former mill workers seeking assistance and information related to retraining, while many skilled tradesmen had begun to seek jobs elsewhere.



Figure 36 Closed AB Lumber Yard Credit- Washington Post

### **Optimism Important**

Mayor Killam and council remained optimistic and stressed the importance of open communication. Many informal meetings were held in the community, along with a town hall meeting that was broadcast live on local radio. Killam was quick to address rumours of cutbacks to health and education services that circulated in the community following the mill closures. Additionally, Killam and Council attempted to elevate the mood in Mackenzie by offering various free recreation services and encouraging celebrations such as the Mackenzie Family Ice Fishing Derby.

## From Bad to Worse

The community's optimism would be tested further in May and June 2008 with the indefinite closures of Pope and Talbot's pulp mill and Canfor's second lumber mill, respectively. The closures brought the total number of direct jobs lost in Mackenzie to over 1200, including a shift curtailment at East Fraser Fibre in December of 2007. Media reports estimated the layoffs represented almost 90% of the forest industry manufacturing jobs in Mackenzie, and that upwards of half of the community's available labour force was now unemployed. Job losses in the logging, trucking, and supply industries, though difficult to measure, were thought to be in the hundreds.



Figure 37 Former Pope & Talbot Pulp Mill Credit-opinion250.com

Mayor Killam again acknowledged that the closures were devastating, but stressed that officials and residents must continue to work to keep the community stable and functioning. Mackenzie representatives met with provincial government officials to discuss job creation projects that would utilize federal funding earmarked for that purpose. Killam and Council continued to work on diversifying the economy with mining, green energy, and tourism projects. Additionally, community officials attempted to attract new residents by advertising Mackenzie as a lifestyle choice, both as a place to retire and a place to commute to work from. Council also lobbied the provincial government for funding for a connector route between Mackenzie and Fort St. James that would aid both tourism and mining projects.



Figure 38 Rally Sign, Mackenzie, B.C. Credit- Andrew McIntosh

## The Community Speaks Up

While community officials worked hard to remedy the crisis, Mackenzie residents also began to make their voices heard. A rally was organized by laid off forest industry workers for May 23 2008 in the hopes of focusing attention on the struggling community and to express feelings that the provincial government could be doing more than it was to aid the District of Mackenzie.

The rally—which coincided with the Mackenzie edition of the Roundtable on Forestry talks—was attended by well over 1000 people, including Agriculture and Lands Minister Pat Bell, NDP leader Carole James, and national union leaders. High on many attendees' agendas was the issue of keeping logs tied to the community, ensuring that they would not be exported to other communities for processing.

Workers also expressed frustration with the B.C. government for failing to provide a substantial amount of assistance to communities like Mackenzie while provincial funds seemed poised to flow easily for expensive projects such as the contemplated \$200 million dollar retractable roof for B.C. Place in Vancouver. As well, workers called for an extension on unemployment benefits for two years, or until the forest industry rebounded, and continued this push for E.I. reforms over the coming months. Information pickets would eventually be staged in Mackenzie, Prince George, and Valemount, and later a rally for E.I. reform was held in Prince George, with many Mackenzie residents attending.



Figure 39 Mackenzie Residents at May 23 Rally Credit-www.cpm1.ca

## Mackenzie Residents Reluctant to Leave

Above all, residents strongly expressed in media reports that they did not want to leave the community they loved. Those quoted referred to the quality of life in Mackenzie as a factor in their feelings; many cited the quiet, safe, and friendly small town atmosphere, while others

pointed to Mackenzie's proximity to lakes, wilderness, and other recreational opportunities, and the low cost of living that the community enjoyed. And media reports suggested that, for the most part, people were staying put, with many commuting to oil and gas sector jobs in North-Eastern B.C. and Northern Alberta. The real estate market at the time reflected this, as there were only marginally more homes listed for sale than was normal.

### **The Curious Case of Dan White and the Worthington Group**

Many in Mackenzie gained renewed hope for their community's future when the former Pope and Talbot pulp mill was sold during bankruptcy proceedings to the Edmonton-based Worthington group in early fall 2008. The company's director, Dan White—an Edmonton developer with a past that includes a conviction for money laundering—had promised to operate the mill. But several months later, in the early part of winter 2009 Dan White resigned as sole director of Worthington group, and the company stopped paying its bills. The mill had not been winterized and posed a significant environmental threat, forcing the provincial government to take over the heating and maintenance of the mill, to the tune of several million taxpayer dollars.



**Figure 40 Former Worthington group Director Dan White Credit- Vancouver Sun**

The situation remains unresolved, and the provincial government is currently seeking a solution which would allow it to avoid the cost of heating the mill for another winter. Additionally, the B.C. attorney-general's ministry is attempting to recover already incurred costs by tracing the corporate links in the chain of companies that White used to purchase the mill back to one with available funds. Mackenzie community officials and union leaders expressed frustration and disgust with White's handling of the situation and lamented the lack of control the community was able to exert over its most important industry.



## **Good News At Last**

On May 1 2009, Canfor announced that it would reopen its remaining sawmill on one shift beginning in July 2009, with 60 workers returning. A number of changes facilitated the reopening of the mill. Mackenzie council agreed to cut Canfor's property tax by 25% for a period of three years. Mackenzie's Pulp, Paper, and Woodworkers union had conceded to a wage rollback. Although official numbers were not released, sources suggested that the rollback was in the range of 20%. As well, the provincial government adjusted timber fees, bringing them more in line with the rest of the North-Central interior, representing savings for Canfor to the tune of several million dollars. For Canfor's part, the company revealed plans to move away from the production of rough-hewn wood to well-finished lumber for the renovation market.

## **Moving Forward**

While the reopening of Canfor's sawmill is a promising sign, Mackenzie's future is still very much up in the air. Mackenzie is well equipped to take advantage of a recovery in the forest industry, due to its excellent timber basket and skilled labour force, but it is unclear when or if such a recovery will happen. Mayor Killam and council continue to work on diversification efforts such as the Mount Milligan mine project and various tourism opportunities. The recent successful hosting of the Northern B.C. Winter Games—which was made possible by the work of over 500 volunteers and 90 billet families—demonstrated that Mackenzie has retained its vibrancy and community spirit in the face of staggering adversity, which has surely been a factor in the community's continued resiliency.

## **Update**

Several important developments have occurred since the original compilation of this report. Responsibility for maintenance of the former Pope and Talbot pulp mill was taken over from the provincial government by the Mackenzie Pulp Development Corp. in the fall of 2009. The consortium—consisting largely of regional logging companies—expressed the desire to maintain the mill until a buyer who would operate the mill could be found. Recent media reports suggest that rising commodity prices have led to significant interest in the shuttered mill from Asian forestry company Sinar Mas. Union officials and workers, however, remain sceptical at the prospects of the mill reopening.

The Mount Milligan mine project is now close to becoming a reality. Media sources recently reported that the project has now received both provincial and federal environmental assessment certificates and is awaiting the federal permits needed to build the mine. However, the Nak'azdli band has expressed significant displeasure with the environmental assessment process and accuses the provincial and federal governments of failing to consider aboriginal

rights and title. They are contemplating legal action. How this action might affect the mining project remains to be seen.

In November 2009, provincial and federal funding for the Mackenzie Connector road upgrade was announced. Nechako Lakes MLA John Rustad noted that the improved road would allow for wider availability of wood fiber, increased tourism opportunities through the creation of a circle route, and an alternate route for the Mount Milligan mine project. Community officials of both Mackenzie and Fort St. James expressed delight at the economic opportunities the connector would afford.

Earlier, in October 2009, a temporary restart of the AbitibiBowater sawmill was announced owing to significant concessions by the United Steelworkers 1-424 union. 60 workers were to be rehired, with the sawmill expected to operate for at least 70 days, and the planer to operate for at least 104 days.



Figure 41 Morfee Lake, Mackenzie, B.C. Credit- Trevor Nerbas, [flickr.com/photos/nerbas/252915415/](https://www.flickr.com/photos/nerbas/252915415/)

### ***Selected Quotations***

*"It's not going to be very pretty. For the next six months to a year it's going to be very bleak,"* Mackenzie Chamber of Commerce President Mark Robillard, on the announced Canfor closure. 06/08/07. Anonymous. The Prince George Free Press. Prince George, B.C.

*"The staff and I have been talking to many people in the business sector about what they can do. We have been dealt a heavy blow, but there is always something else we can do...What it's basically doing is drawing the community together. This is a community that in times of crisis does very well at that."* Mackenzie Mayor Stephanie Killam, on the Canfor closure. 06/08/07. Anonymous. The Prince George Free Press. Prince George, B.C.

*"People are leaving...I know of at least three that have left this weekend to other jobs. One went to the oil- patch and two have gone to another mill in the interior."* Cami Newman, on laid off workers leaving town to seek work. 06/13/07. Vanderklippe, N. The National Post. Don Mills, Ont.

*"The vultures are rising."* Mackenzie Mayor Stephanie Killam, on employers from across Canada placing ads in Mackenzie newspapers to lure newly unemployed workers. 06/13/07. Vanderklippe, N. The National Post. Don Mills, Ont.

*"What was really appreciated is people have really pulled together on this issue. Mackenzie is a resilient community...I can tell you the local [Canfor] management team for B.C. is very much aboard with doing everything to keep that mill open. Productivity is up significantly."* Prince George-North MLA Pat Bell on attempts to keep the Canfor mill open. 06/27/07. Anonymous. The Prince George Free Press. Prince George, B.C.

*"Once again, a corporate merger has resulted in the potential loss of thousands of jobs...The unfettered drive for increased profits at the expense of workers and communities is becoming a way of life under the present federal government. This government needs to step up to the plate and protect its citizens."* Communication, Energy, and Paperworkers Union of Canada Vice President Don MacNeil, on the AbitibiBowater pulp mill closure. 11/30/07 Hoekstra, G. The Prince George Citizen. Prince George, B.C.

*"Needless to say, many of us are still in shock at the thought of losing 550 jobs and many more indirect logging and hauling, and other forestry and support jobs...The announcement affects everyone in our close-knit community, from the mill employees right down to our small home-based businesses. And in the end, it will be felt in some way by everyone here."* Mackenzie Mayor Stephanie Killam, on the AbitibiBowater closures. 12/01/07. Hoekstra, G. The Prince George Citizen. Prince George, B.C.

*"The days of the small companies . . . are not here anymore. It's the big conglomerates out there and they want money and it's all they want,"* Mayor Stephanie Killam, on the AbitibiBowater closures. 12/14/07. Hoekstra, G. The Prince George Citizen. Prince George, B.C.

*"This town was my life, it's all I know, but I can't stay now and neither can many people...Within a year, I wouldn't be surprised if we're down to a third of our population in Mackenzie."* Gerald Girard, laid off worker on the closures. 02/09/08. Faiola, A. The Ottawa Citizen. Ottawa, Ont.

*"We're not just talking about a mill here. We're talking about the death of a community...For many of us, this is the final nail in the coffin...I came here with nothing, and if I lose my job, I'll be forced to leave here with nothing...Who's going to buy my house? What kind of job is there for me? I've got a Grade 12 and I can run a pulp machine -- that's it."* 05/09/08. Rick Berry, laid off mill worker, on the crisis. Luymes, G. The Province. Vancouver, B.C.

*"A lot of people say the last person, turn the lights off...I don't think it's going to happen...It's not going to roll over and die."* Retired mill worker Eric Honkanan, on Mackenzie's future. 05/31/08. Hoekstra, G. The Prince George Citizen. Prince George, B.C.

*"The community and the region as a whole needs a plan to deal with the immediate problems of shutdowns and layoffs, as well as long-term solutions that will provide a future for the hardworking families who live here,"* Nora Wilkins, laid off mill worker. 05/13/08. Hoekstra, G. The Canadian Press. Toronto, Ont.

*"It's a community we want to keep. It's home...We love living in Mackenzie and want it to be saved."* Alf Wilkins, laid off mill worker and co-organizer of Save Our Community rally. 05/22/08. Williams, A. The Prince George Free Press. Prince George, B.C.

*"The biggest mill that runs here right now is the rumour mill,"* Mayor Stephanie Killam, on the importance of keeping the community well informed and quelling rumours. 08/28/08/ Fletcher, T. Parksville-Qualicum News. Parksville, B.C.

*"I wanted to puke in my corn flakes over this,"* Carl Bernasky, president of the Communication, Energy and Paperworkers local 1092, on Dan White's handling of issues at former Pope and Talbot pulp mill. 01/30/09. Hoekstra, G. The Prince George Citizen. Prince George, B.C.

*"It is my sincere hope that today marks the beginning of a bright and sustainable future for sawmilling here in Mackenzie,"* Canfor president and CEO Jim Shepard, on the reopening of the Canfor sawmill in Mackenzie. 05/02/09. Hoekstra, G. The Prince George Citizen. Prince George, B.C.

*"It's the first step in taking us out of the bottom of the pit, so to speak...This is really good news for the community because there have been people who have hung in here, waiting and hoping they would be able to stay here."* Mayor Stephanie Killam, on the potential Canfor restart. 05/02/09. Hoekstra, G. The Prince George Citizen. Prince George, B.C.

*"Until the deal is done, it ain't done...but there have been a number of positives in the industry that would suggest [a deal] is more likely than not."* Tanner Elton, head of Mackenzie Pulp Development Corp., on Sinar Mas' interest in the former Pope and Talbot pulp mill. 02/18/10. Hamilton, G. The Vancouver Sun. Vancouver, B.C.

*"This connector road is great news for Mackenzie and will offer tremendous economic potential to the region at a time when it is needed most...By investing in important infrastructure projects like this one, the Government of Canada is helping to stimulate local economies now, and securing new opportunities for the future"* Prince George-Peace River MP Jay Hill, on the announcement of provincial and federal funding for the Mackenzie-Fort St. James connector road. 11/26/09 Anonymous. Prince George Free Press. Prince George, B.C.

## ***Community Statistical Profile 2006***

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2006	4539		
Population in 2001	5206		
2001 to 2006 population change (%)	-12.8		
Median age of the population	36.3	37.3	34.9
% of the population aged 15 and over	78.3	78.4	78.2
Total private dwellings	1760		
Number of owned dwellings	1440		
Number of rented dwellings	325		
Average value of owned dwelling (\$)	109261		
Median monthly payments for rented dwellings (\$)	666		
Median monthly payments for owner-occupied dwellings (\$)	857		
Median income in 2005 - All census families (\$)	89654		
Median income in 2005 - All private households (\$)	81859		
Persons 15 years and over with income (counts)	3410	1860	1545
Median income - Persons 15 years and over (\$)	38325	50394	17420
Immigrants	385	205	185
Non-permanent residents	20	10	10
Aboriginal identity population	315	150	160
Total Pop. 15 years+ with a High school certificate or equivalent	1155	550	610
Total Pop. 15 years+ with a University certificate; diploma or degree	290	145	140
Labour Participation rate	77.5	84.9	68.4
Employment rate	69.1	76.8	60.2
Unemployment rate	10.7	9.8	12.4

## ***Community Statistical Profile 2001***

<u>Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2001	5206		
Population in 1996	5997		
1996 to 2001 population change (%)	-13.2		
Median age of the population	32.9	33.5	32.2
% of the population ages 15 and over	75.3	75.7	75.1
Total private dwellings	1850		
Number of owner-occupied dwellings	1485		
Number of rented dwellings	370		
Average value of dwelling (\$)	96767		
Average gross monthly payments for rented dwellings (\$)	711		
Average monthly payments for owner-occupied dwellings (\$)	829		
Median family income; 2000 (\$) - All census families	73953		
Median household income; 2000 (\$) - All Private Households	1850		
Persons 15 years of age and over with income	3620		
Median total income of persons 15 years of age and over (\$)	33743		
Immigrants	540	280	255
Non-permanent residents	0	0	0
Aboriginal identity population	210	95	110
% of population 20-34 with high school graduation certificate	38.4	42.7	33.3
% of population 20-34 with university certificate; diploma or degree	15.2	11.8	18.6
% of population 35-44 with high school graduation certificate	29	24.2	35.4
% of population 35-44 with university certificate; diploma or degree	10.7	9.7	13.1
% of population 45-64 with high school graduation certificate	21.4	18.5	24.8
% of population 45-64 with university certificate; diploma or degree	4.7	3.1	7.6
Labour Participation rate	77.4	83.5	70
Employment rate	71.2	78.8	61.9
Unemployment rate	7.7	5.6	10.8

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# Quesnel Community Report

## 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 42 Map of British Columbia. Credit- [www.atlas.gc.ca](http://www.atlas.gc.ca)



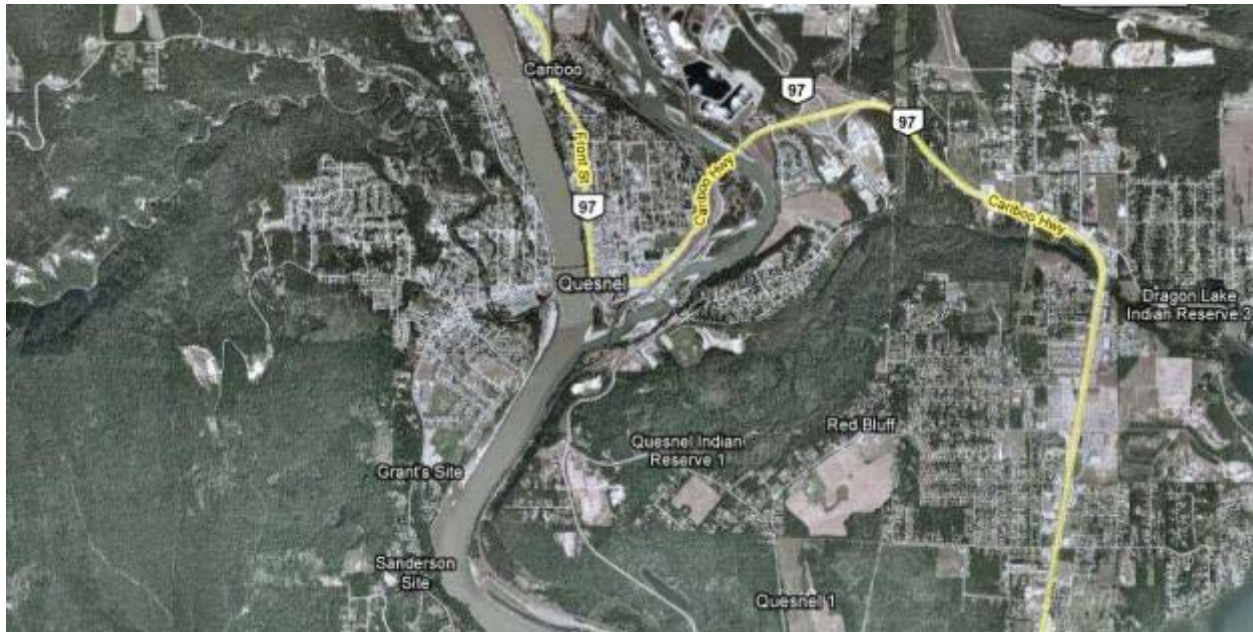


Figure 43 Satellite Map of Quesnel. Credit- Google Maps

### ***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 19<sup>th</sup> 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.

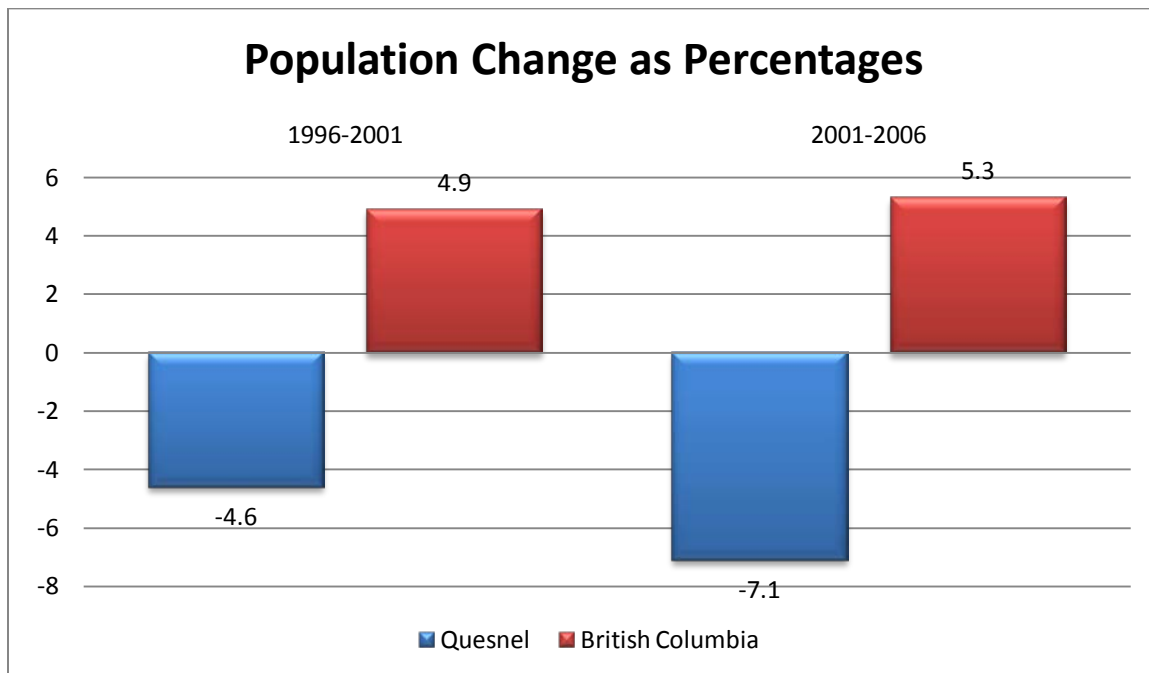


Figure 44 Population Change in Quesnel and British Columbia as Percentages

## 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.

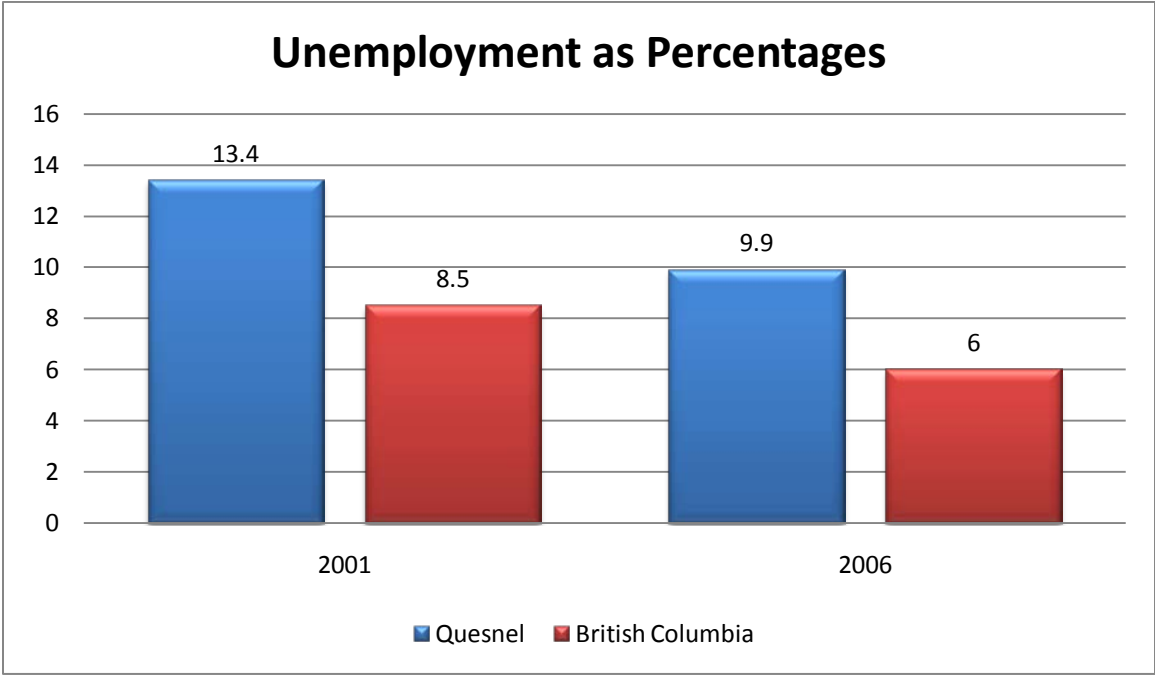


Figure 45 Unemployment Rates in Quesnel and British Columbia as Percentages

## 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

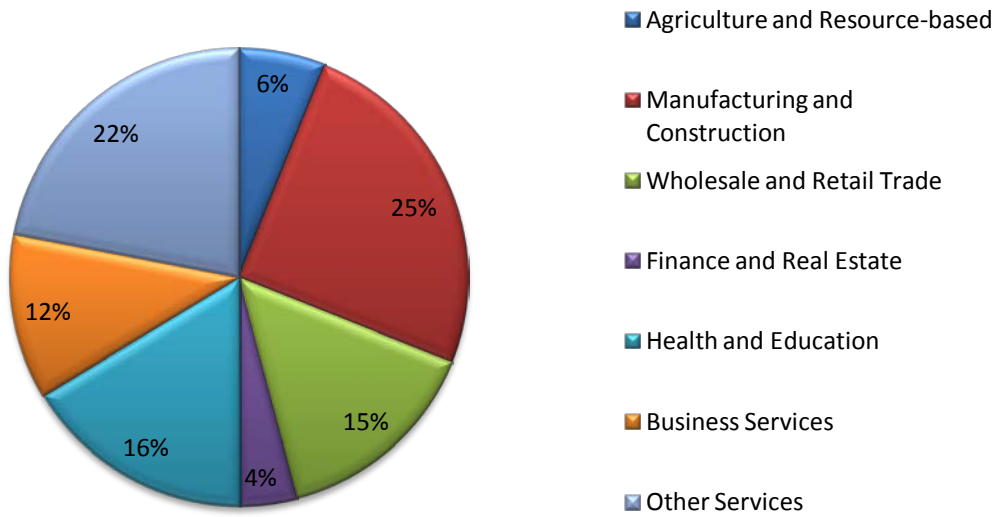


Figure 46 Employment by Industry, Quesnel: 2001

## Employment by Industry: 2006

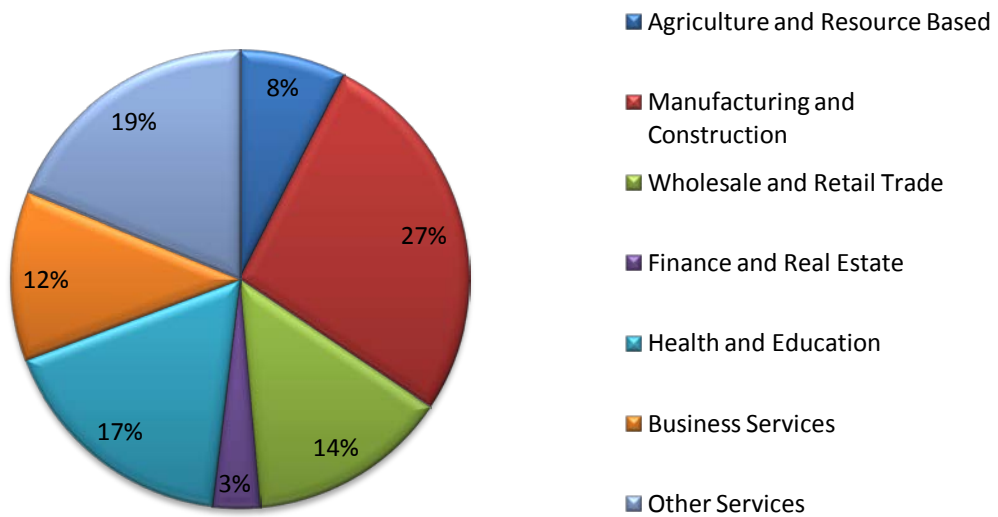


Figure 47 Employment by Industry, Quesnel: 2006

### ***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 48 West Fraser Timber, Quesnel, B.C. Credit-[www.cbc.ca](http://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 49 UNBC's Quesnel Campus Atrium. Credit-[www.unbc.ca](http://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 50 Gibraltar Mine Site. Credit- [www.leg.bc.ca](http://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 51 Fraser Walking Bridge, Quesnel B.C. Credit-[www.flickr.com/1407](http://www.flickr.com/1407)

## Update

Quesnel has since experienced an additional mill closure. Canfor announced in early January 2010 that they would curtail production at their Quesnel operation and that the curtailment would be linked to market demand as well as production costs. An estimated 180 workers will be laid off as a result.

Additionally, the proposed Prosperity mine has now received approval and an Environmental Assessment certificate from the B.C. provincial government, and is now awaiting approval by the federal government. The mine has been heavily opposed by environmentalist and Cariboo area aboriginal groups. Public hearing sessions are set to go in March in which community members and interested parties will give their views on the potential impacts of the project to a review panel.

Finally, Quesnel council has developed a bylaw calling for a wood-first policy to apply to new construction in the area. Quesnel mayor Mary Sjostrom described the measure as a way to demonstrate support and belief in the forest products industry.



## **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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