



Revitalizing

British Columbia's Coastal Economy

**A New Economic Vision for
the North and Central Coast
and Haida Gwaii**

"The Sustainability Scenario is a rational economic choice favourable to the future economic prosperity of the province and in particular to First Nations and other communities of the study area."

Jim Johnson, MA, CFA, Report Author

Groundbreaking Report

Pacific Analytics Inc. conducted an independent, qualitative assessment of the economic implications of adopting a more diversified and sustainable approach to industry in Haida Gwaii and on the North and Central coast of British Columbia.

The resulting report, **Revitalizing British Columbia's Coastal Economy: A New Economic Vision for the North and Central Coast and Haida Gwaii**, shows economic prospects for First Nations, communities and residents of the study area are best achieved by increasing the proportion of the land base protected, and adopting more sustainable methods of resource extraction and industrial development. Even if ecological values carried no weight, the report indicates a much stronger economic case can be made for this overall approach – referred to in the report as the 'Sustainability Scenario' – than if logging, mining and other industrial development were to continue on the coast as Business-As-Usual.



The study area covers approximately 8 million hectares of British Columbia's North and Central coast and Haida Gwaii.



80 percent of Haida Gwaii's best forest stands have been logged (■), mostly in the past 30 years.

Source: Gowgaia Institute

The economic report was prepared by Jim Johnson, Managing Principal at Pacific Analytics Inc., a firm of consulting economists based in Victoria, and Don Harrison at Ecotech Consulting, an environmental, geological and mining firm on Pender Island, BC.

Mr. Johnson recently completed regional economic impact assessments for the South Chilcotin area, the Babine River Corridor Park, the Morice, the North Coast and the Chilko region of BC.

Mr. Harrison, a member of the Association of Professional Engineers and Geoscientists of BC, consults on a variety of mining issues, including mineral potential, acid mine drainage and impacts of mining and exploration.

"I want to stay here, but there are few job opportunities for my generation. I want to work in something that has a future."

Doug Neasloss (age 22), Klemtu

Economic Overview of the Study Area

Provincial and First Nation governments and stakeholders, including logging companies and environmental groups, have been working since 2001 to secure long-term solutions to maintain the ecological integrity and improve the economic and social conditions of the North and Central coasts and Haida Gwaii.



For years, the region's economy was based on resource extraction. The majority of economic benefits flowed out of the region, leaving local communities with significant social and economic challenges. The logging industry expanded quickly and logged the most productive forests with the highest value timber. This raised doubts about the long-term viability of the industry and concerns that opportunities in other sectors, like tourism, were being foreclosed. The situation led to three planning processes initiated by the Province, followed by Government-to-Government negotiations between the Province and First Nations.

Participants in the Central coast stakeholder process have agreed on a bold new land-use plan that sets aside large portions of the land base from logging. Preliminary consensus has been reached on a land-use plan for the North coast, while a land-use plan for Haida Gwaii should be completed in 2005. After Government-to-Government negotiations, these plans would create the conditions for a more diversified economy that supports more sustainable local jobs.



The Sustainability Scenario

The report, *Revitalizing British Columbia's Coastal Economy*, examined the economic implications of two scenarios for the BC coast:

A. Business-As-Usual Scenario

Keeping the same 'Business-As-Usual' approach to resource extraction and economic development.

B. Sustainability Scenario

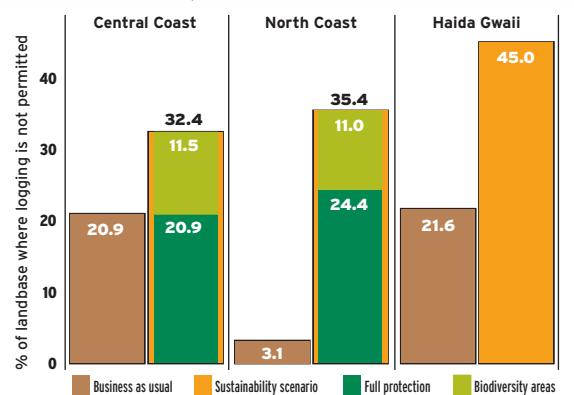
Developing a new, diversified economic approach called the 'Sustainability Scenario' based on emerging economic opportunities, ecologically sound resource extraction and increased protection across the land base.

To assess the relative merits of each scenario, a comparison was required.

In the Business-As-Usual Scenario, the proportion of the landbase that would be protected from logging and other industrial development activities would be based on existing or recommended protection as of April 2001.

In the new Sustainability Scenario, in order to secure world-class environmental values on the coast, the proportion of the land base that would be off limits to logging and other industrial development would be set at levels recommended by stakeholder land-use plans recently negotiated or nearing completion. This would include areas set aside as

Amount of area protected under the two scenarios¹



biodiversity areas. In areas open to resource development, logging and other economic activities would be managed with a higher emphasis on sustainability, under Ecosystem Based Management. First Nations able to secure a significant portion of their land base as protected areas would be eligible to benefit from a fund worth up to \$120 million under the Conservation Investments and Incentives Initiative or CIII. This fund, a new initiative by First Nations, the provincial government, the philanthropic community, industry and environmental groups, is intended to support conservation-related jobs and to be used to invest in First Nations economic development. As well, Socially Responsible Investment (SRI) opportunities could attract up to an additional \$80 million in venture capital and loan funds to support new, sustainable economic activities in all coastal communities and communities dependent on the Central and North coasts.

Ecosystem-Based Management (EBM) is "...an adaptive approach to managing human activities that seeks to ensure the coexistence of healthy, fully functioning ecosystems and human communities."

Coast Information Team, experts who provided independent science for land-use planning for the BC coast

¹ For the purposes of the study, under the sustainability scenario the level of protection on Haida Gwaii is based on the Haida Land Use Vision. For the Central and North coasts, it was assumed there would be no mining in biodiversity areas even though the official designation permits mining activity while prohibiting logging.

Sustainability Scenario Makes Most Economic Sense for Coastal Communities



"The Sustainability Scenario will generate considerable increase in long-term employment, GDP and government revenues from the tourism sector." From the Report

The report looked closely at three industries that have played a major role in the study area: **forestry, mining and tourism**. The report showed a new, diversified approach is needed to rejuvenate the coastal economy.

Report Findings:

In the Business-As-Usual Scenario, as a result of global trends and the effect of continued industrial resource exploitation, there would be:

- Continuing decline in the timber industry due to the necessary shift from over-cut cedar to less valuable hemlock
- Falling employment in the timber industry due to automation, global competition and the fall down to second growth timber
- Reduced revenue and employment at high-end lodges due to the visual and wildlife impacts of industrial forestry development and failure to protect a sufficiently large portion of the land base
- Very limited mining activity because of relatively poor mineral endowment on the coast

In the Sustainability Scenario, there would be:

- Increased economic stability in the study area
- Modest reduction in provincial revenues from timber industry activities
- Increased opportunity for provincial revenue sources from new economic activities
- Considerable increase in provincial revenues and long-term employment from tourism
- Stable, possibly increased employment in timber industry and silviculture activities under EBM management, including the potential for more local jobs in value added manufacturing
- More secure market access for BC wood products as logging complies with Ecosystem Based Management practices
- Little or no change in mining sector opportunity and no change in revenue from mining activities
- Increased business opportunities, particularly for First Nations



"To achieve lasting economic well-being on the coast and in coastal communities means British Columbia must find every means possible to diversify activity to build sustainable local economies."

Dave Mowat, Chief Executive Officer, VanCity

Industrial Logging Not Economically Rational Over Long Term

"While the Sustainability Scenario will displace some timber industry workers, more than an equivalent number of positions will be created as a result of pursuing logging under ecosystem-based management and by increasing the proportion of timber processed within the study area."

From the Report

The report looked at economic indicators from the timber industry and found that if Business-As-Usual logging were to continue, losses would almost certainly occur in the coming years. Threshold analysis indicates companies will have no choice in the next two decades but to shift from overcut cedar to logging less valuable hemlock. Logging companies in the study area have focused on cutting down high-value cedar and have reduced the original endowment



of old growth. Future logging operations will have to move into forest stands that are less accessible, involve higher costs and are of lower timber value.

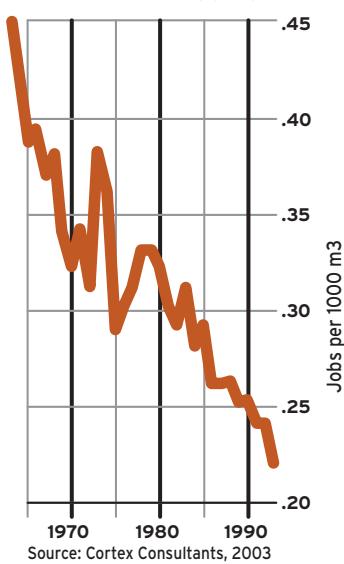
In contrast, the Sustainability Scenario involves the application of Ecosystem-Based Management in forestry and other economic activities in the study area. While applying EBM will lead to a reduction in the overall volume of timber harvested, the

sustainability scenario fosters economic stability by ensuring timber is available over the long term, and by creating local jobs through enabling value-added wood processing. The report found that effective implication of EBM would ensure coastal timber products have more secure access to world markets that are increasingly focused on environmental practices, helping the coastal economy become more globally competitive.

"Between 1996 and 2003, 27% of employees in coastal mills lost their jobs. Mill closures have eliminated 2,250 jobs in recent years."

Source: Pierce Lefebvre consulting, 2003

Productivity Trends in Coastal BC Logging Sector



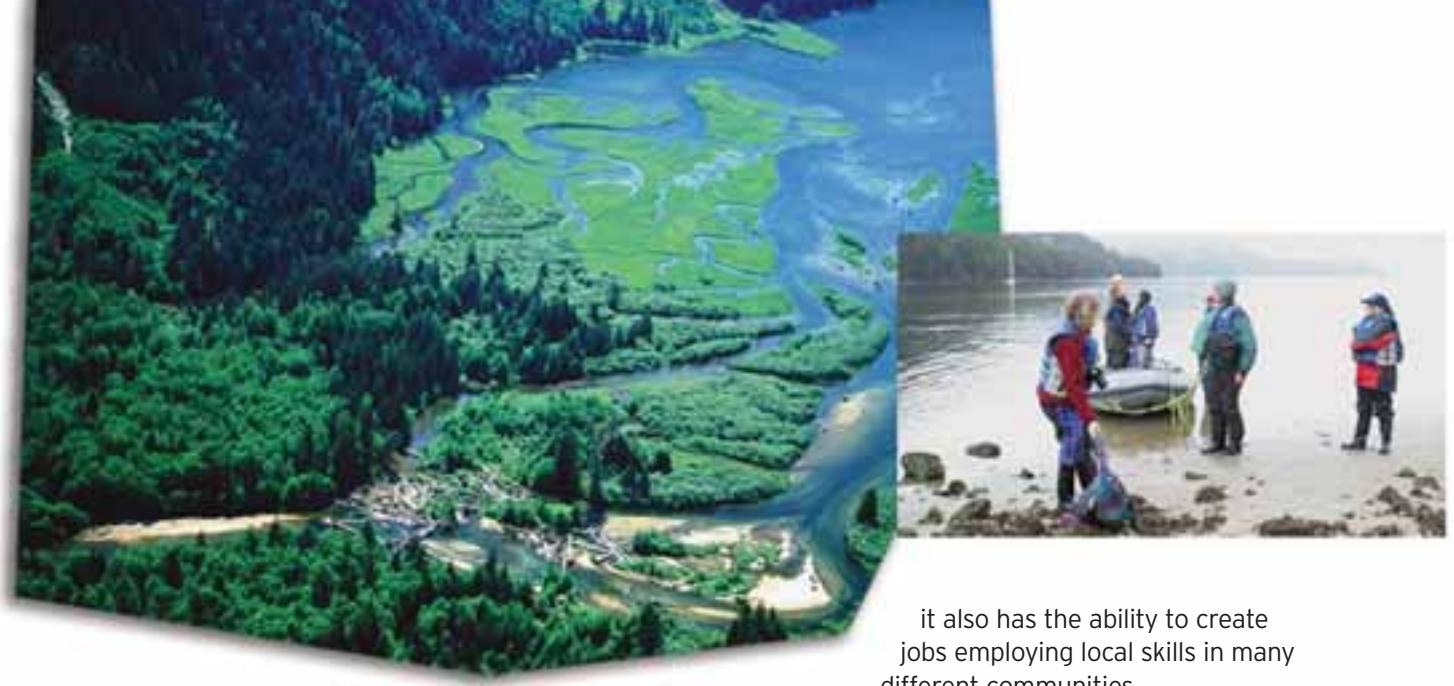
Source: Cortex Consultants, 2003

Partial List of Permanent Sawmill Closures in Coastal British Columbia

NAME	LOCATION	NUMBER OF EMPLOYEES	APPROX. YEAR OF CLOSURE	APPROX. LOG INPUT (000 M ³)
Bayside Sawmills	Port Mellon	140	2001	205
Campbell River Mills Ltd.	Campbell River	85	1997	350
Canadian Forest Products Ltd.	Vancouver	241	1998	465
Eburne Sawmill	Nanaimo	115	2001	285
CIPA Lumber Co. Ltd.	Coquitlam	265	2000	700
International Forest Products Ltd. - Fraser Mills	Fort Langley	130	1997	175
International Forest Products Ltd. - McDonald Cedar	Boston Bar	190	2002	535
J.S. Jones	Powell River	260	1999	145
MacMillan Bloedel Ltd.	Youbou	174	2001	265
TimberWest Forest Ltd.	North Vancouver	200	1997	500
Tolko	Vancouver	400	2000	545
Weyerhaeuser Company Ltd. (Canadian White Pine)	Prince Rupert	50	2002	300
West Fraser Mills			Total	2,250
				4,470

Source: Pierce Lefebvre consulting, 2003

Notes: The above list of mills is compiled for illustrative purposes and there may be other operations that have closed and are not included (smaller sawmilling operations that have closed are excluded).



Tourism Would Thrive Under Sustainability Scenario

"Under the Business-As-Usual scenario, continued industrial forestry development and the failure to protect a sufficiently large portion of the land base could put some high end lodges at risk, with the lost revenues estimated at \$1.3 million (per lodge), and 11 jobs at risk per lodge affected." From the Report

The report found tourism businesses would benefit greatly from the Sustainability Scenario. Since this scenario protects a greater proportion of the land base, ensures all industrial development follows an EBM approach and provides direct access to investment funds, the Sustainability Scenario will contribute to an expanded tourism sector in the study area.

While the sector has its limitations, such as seasonal employment and a relatively high proportion of lower-wage positions,

it also has the ability to create jobs employing local skills in many different communities.



The report found an average new lodge in the study area would, over the course of a 20-year period, create the equivalent of 8.3 person-years of employment every year and benefits with a present value of \$19 million in revenues, \$10 million value added and \$0.9 million in provincial government revenue.

"People from all over the world come to my lodge to experience the beauty of this natural wonderland. The success of local tourism on the coast directly depends on preserving the environment, the wildlife that live here and the rainforest – the bread and butter of my business."

Michael Uehara, President, King Pacific Lodge

Low Prospects for Mineral Development

"Our communities have seen too much of the wealth taken from this coast without creating any local jobs or business opportunities."

Dale Lore, Mayor, Village of Port Clements and Director, Skeena - Queen Charlotte Regional District

The report looked at mining potential in the study area and how prospects would be affected under the Sustainability Scenario. Overall, the study area was rated as having low potential when compared against other regions of the world endowed with minerals. Although more land is available to mining under the Business-As-Usual scenario, little of the additional land that would be protected under the Sustainability Scenario is considered to have economic potential for mining purposes.

Some smaller portions of the study area show more promise for the mining industry, but the potential is still very limited under either scenario. The last significant mine in the study area closed in 1983. Meanwhile, the mineral exploration industry is focusing its attention elsewhere in the province and the world. Because of the distance to markets and cheaper sources closer to markets, industrial deposits (such as gravel and limestone) in the study area are not competitive. There are few, if any, metallic mineral deposits with defined reserves in the study area that could be produced without a significant increase in market price.

If a mine were to go ahead without the Sustainability Scenario in place, only a small proportion of the benefits would flow to the

study area, while most of the environmental and social costs would be imposed locally. The costs of correcting acid mine drainage or restoring damaged ecosystems can be significant and reduce the overall benefits, while government revenues from the mining sector are modest compared with the gross value of the resource extracted.

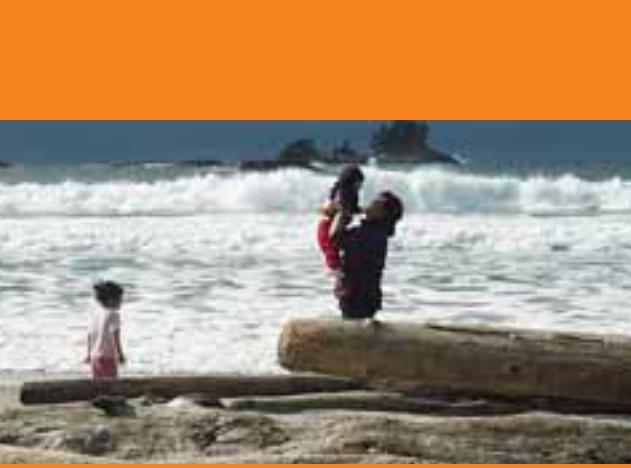
Other Economic Diversification

The Sustainability Scenario creates a number of new First Nation jobs in the conservation sector, such as managing protected areas, establishing guardian programs and undertaking restoration projects, with help from investment from the Conservation Investments and Incentives Initiative.

The shellfish aquaculture industry is becoming one of the leading community-based industries on BC's coast and it is poised for rapid expansion if economic conditions are right. Increased access to investment capital under the Sustainability Scenario will help this and other emerging sectors reach their potential, diversifying job opportunities and sources of government revenue.

"Within the next five to ten years, between 200 and 350 local jobs in First Nation communities and Prince Rupert could be supported by shellfish aquaculture." From the Report





The report was jointly commissioned by ForestEthics, Greenpeace, the Sierra Club of Canada, BC Chapter and the Rainforest Action Network. These organizations promote conservation options and economic alternatives to industrial logging on British Columbia's Central coast, North coast and Haida Gwaii.

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Revitalizing British Columbia's Coastal Economy: A New Economic Vision for the North and Central Coast and Haida Gwaii is available online at

www.pacificanalytics.ca

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"It's time British Columbia invests in building a new era on the coast, so our economies thrive in harmony with our people and with nature. The economic solutions already exist, we just need to put them into play."

Chief Patricia Sterritt, Gitga'at First Nation

