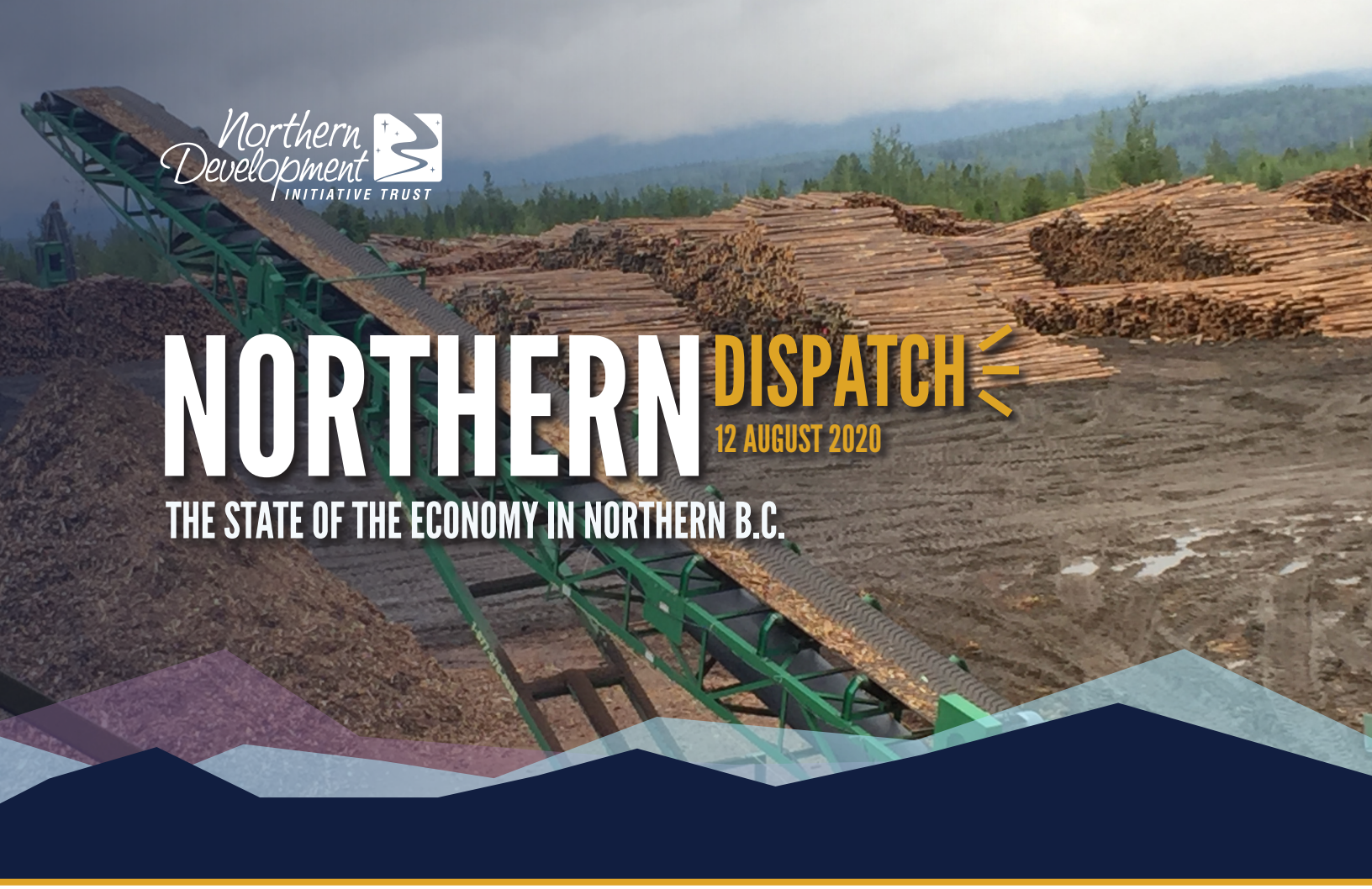

THE STATE OF NORTHERN B.C.

Economic Impacts of COVID-19

Joel McKay
CEO
Northern
Development
Initiative Trust

Joel McKay - CEO
Northern Development Initiative Trust

This issue of Northern Dispatch comes out at a particularly challenging time for Northern B.C. as we balance our collective response to a global pandemic, with our need to continue going about our lives to maintain all that we have. Normally, we focus Northern Dispatch on specific sectors or industries, but this time around we asked our research partners at MNP to help us answer the question that's been on our mind for some time – how has COVID-19 impacted the economy in Northern B.C.?

This newsletter contains the answers to that question, such as they are amid a pandemic that started only a few months ago and will likely impact the regional economy for years to come. The data in the report largely focuses on employment numbers on a regional basis to afford us a glimpse into how the downturn has played out in our region, within specific areas of the north and compared with other parts of B.C. Because of the ongoing challenges in forestry, which remains one of our core industries through the region, we asked MNP to provide a bit of a deep dive on the impacts for that sector. Lastly, we also asked for an update on some major projects under construction throughout the north. This is by no means a comprehensive report on the

full impacts of the pandemic on Northern B.C., but rather a snapshot in time of how things have played out thus far that's useful to economic development practitioners as we respond to support resiliency and recovery initiatives.
So, what does the data show? It goes without saying that COVID-19 hasn't been good for the economy, but if we're looking for silver linings – and these days it feels like we should be – the good news is that Northern B.C. has been somewhat less affected by COVID-19 than other regions of the province. This is largely because we're less reliant on service-sector employment than other parts of B.C. As well, the global need for the resources that are extracted, refined, manufactured and exported from our region has continued, meaning that our core industries are more likely to recover sooner than industries directly impacted by the pandemic, such as the retail, tourism and service sectors.

While that's relatively good news, in no way does it discount the continued need for response and recovery initiatives in the North. Nor should it overwrite the fact that there was general weakness in the northern economy prior to the pandemic due to several regional and global factors that have hampered our resource sectors.

As always, we have invited some outside voices to contribute their thoughts to Northern Dispatch. First up is Minister for Forests, Lands, Natural Resource Operations and Rural Development Doug Donaldson (also MLA for Stikine and a passionate northerner) to share some thoughts on the Province of B.C.'s response to COVID-19 and how we can work together to support recovery initiatives going forward.

Second, Dr. Greg Halseth and Marleen Morris, co-directors at the University of Northern B.C.'s Community Development Institute, have offered some practical advice from decades of experience in rural development that we think will be useful for our communities and businesses to keep in mind as they chart a path through recovery.

As always, there's a lot more that could be researched, discussed and printed that we can't fit into Northern Dispatch – if you think there's a particular area we should dive into deeper, let us know.

THANKS FOR TAKING THE TIME TO READ THIS ISSUE OF NORTHERN DISPATCH, WE HOPE IT'S AS USEFUL TO YOU AS IT IS TO US.

ECONOMIC IMPACT OF COVID-19

AND OUR WAY FORWARD

Doug Donaldson
Minister of Forests, Lands, Natural Resource Operations and Rural Development

The Honourable Doug Donaldson
Minister of Forests, Lands, Natural Resource Operations and Rural Development

The impact of the COVID-19 pandemic has changed the lives of so many British Columbians, and Northern B.C. is no exception. Our government has and will continue to take steps to support the people who are affected by the pandemic. We are investing in people and businesses as we take measured steps while the economic situation evolves.

I want to acknowledge the great work Northern Development Initiative Trust (NDIT) does in Northern B.C. promoting community led projects for economic growth in the region. Projects like the recently announced business liaison program are creating opportunities for hiring local talent and increasing employment prospects for northern communities. The work you do is now more critical than ever, and we will continue to work with NDIT on promoting new and successful development projects in Central and Northern British Columbia.

Our government responded quickly to the ongoing pandemic, putting supports in place to protect people and their livelihoods. We understand that people are the economy; that's why we are keeping people healthy and safe by listening to experts like Public Health Officer Dr. Bonnie Henry and making B.C. a leader in responding to this pandemic.

We also know that businesses provide the jobs people rely on, so our government has taken steps to help support businesses through the pandemic. We have deferred several provincial tax filing and payment deadlines to September 30, 2020. A planned increase to the carbon tax rate, which was due to go up on April 1, has been delayed so that businesses dependent on fuel for vehicles or heat for buildings will not have to worry about this extra cost right now. We have also tabled legislation ensuring that no one can be fired for taking time off work to follow the advice of our public health officer.

For the forestry sector, our government acted quickly to list it as a non-health essential service, ensuring global supply of products dearly needed right now, such

as protective masks, gowns, and other hospital supplies. We've deferred stumpage fees for eligible companies for three months with interest, leaving them $80 million to pay employees, contractors, and other bills. The silviculture sector has been following guidelines developed by the provincial health officer to keep everyone safe, allowing for an already successful year of tree planting.

Thanks to the hard work and sacrifice of British Columbians, we can look to the future with optimism. We have moved into Phase 3 of our restart plan; following the advice of our public health officer, businesses have slowly begun reopening, allowing numerous people to return to work. For example, in the forestry sector, which saw pandemic-related curtailments affect thousands of British Columbians, we have recently had many saw and pulp mills come back online.

Moving forward, our government recognizes there are challenges that will need to be met going into the future. An economic advisory committee has been created with the BC business community to promote collaboration on our road to recovery. We have also set aside $1.5 billion so that we can provide stimulus to businesses once the immediate crisis has passed.

We are focused on creating an economic recovery plan that puts people first. It is important that we move forward, with input from British Columbians, as safely and effectively as possible. We have already taken some positive steps to allowing the BC economy to bounce back and get this province back to work.

BRITISH COLUMBIA

Ministry of Forests, Lands, Natural Resource Operations and Rural Development

ECONOMIC IMPACT OF COVID-19

FLEXIBILITY, THINKING LOCAL AND PREPARING FOR CHANGE KEY DURING PANDEMIC

Dr. Greg Halseth
Director,
Community Development Institute
University of Northern British Columbia (UNBC)

Marleen Morris
Director,
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Dr. Greg Halseth and Marleen Morris
Co-Directors
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The impacts of the COVID-19 pandemic across Northern B.C. have been significant. The depth and duration of those impacts are not yet clear, but they are highly variable across economic sectors, have uneven demographic and gender impacts, and will shift over time.

The federal and provincial government, and the education and health care sectors, have seen an increase in activity as they respond to challenges – although for all there is a pending reconciliation to address the costs of pandemic spending. Our local governments are planning for revenue declines, while natural resource sectors, which had already been struggling with global economic pressures, are experiencing a slowing of demand. Small businesses, especially in tourism and personal services, have been especially hard hit. While some may now be reopening (with the additional cost burden of health care precautions), others may continue to experience low or no economic activity. Within Indigenous communities, there are added degrees of remoteness, vulnerable health conditions, and historically infused concerns regarding the impact of pandemics on their populations and knowledge keepers.

As we think about the next couple of years of COVID-19 related transitions, experience from the past has provided many lessons.

- For communities, it is critical to maintain quality-of-life services and activities. These help us cope, help hold people and families, and help business and industry with their workforce recruitment and retention.
- We need to support our local communities and economies, by spending locally and regionally. A first step has already been initiated in the tourism sector around opportunities to take advantage of B.C's fabulous natural landscapes and small-town attractions and amenities. It is a great time to rediscover your community and province.

- We need to ensure that economic stimulus spending is driven toward investments that support transformative community and economic capacity. These include attention to important transportation improvements, housing needs, 'urban-competitive' broadband, and community infrastructure and facilities that will help retain retiring residents and attract young working households.
- We need to continue expanding use of the internet and virtual technology. Businesses that transitioned to online and e-commerce platforms have fared better than those that did not. Many health care providers such as physicians and counsellors have switched to virtual delivery, as have education providers. Through this, technology has significantly enhanced access for those in more remote communities.

Experience has shown that while we cannot predict the future, we can be prepared for change. This means:

- Maintaining flexibility so that we can respond to provincial health guidelines as they loosen or tighten over time.
- Building more resilience and innovation into our business models so we are ready to seize the new opportunities that change presents.
- Being ready for changes in housing demand. Spending more time at home may lead urban households to seek more space or a less congested community in which to live. Even if only a small fraction of the urban population decides to move to a smaller community, we would see a significant impact on our rural and small town housing markets.

The old community development adage "you can't control impacts from outside, but you can control your own response" certainly applies now. We need to get our economic and community "houses" in order so that we can remain flexible and nimble in responding to both challenge and opportunity. Our rural and small town communities have tremendous human capacity and local assets – now is the time to support and invest in those capacities and assets.

ECONOMIC IMPACT OF COVID-19

BY THE NUMBERS

Research and statistics provided by MNP

OVERVIEW

In March 2020 the Province of B.C declared a provincial health emergency and a provincial state of emergency in response to the COVID-19 pandemic.(1) Physical distancing measures were introduced that banned gatherings of more than 50 people including sporting events, concerts, performances, meetings, conferences and social events. As a result of the restrictions, many businesses were forced to alter their operations by transitioning their employees to working remotely and reconfiguring their production lines. Businesses that were unable to comply with physical distancing requirements such as barbers, hair salons and other personal services were ordered closed, and restaurants and bars were only permitted to offer take out service. In addition, the federal government closed the border to all non-essential travel.

Restrictions remained in place through May 18 when B.C. moved to Phase 2 of its restart plan.(2) As part of Phase 2, businesses including those providing personal services and restaurants were permitted to re-open with enhanced safety protocols. Restrictions on gatherings and movements in the province remained and the border remained closed. Beginning June 24, B.C. moved to Phase 3 in which movement was permitted within the province.

EMPLOYMENT

Table 1 compares total employment prior to COVID-19 restrictions with total employment following the restrictions. Between February 2019 and February 2020, total employment in Northern B.C. declined by approximately 2,700. The decline reflected reductions in forestry employment and wood product manufacturing due to mill closures and curtailments in 2019 and a slowdown in construction activity. Between February 2020 and May 2020 when COVID-19 restrictions were brought in, employment declined by approximately 12,100. In June, following the move to Phase 2 employment, levels in the Cariboo region increased by approximately 800 while further declines occurred in the North Coast-Nechako and the Northeast.

Table 1: Total employment by region in Northern B.C. (000s)

	February 2019	February 2020	May 2020	June 2020
Total Employment	157.3	154.6	142.5	141.5
Cariboo	76.4	75.4	71.1	71.9
North Coast-Nechako	42	39.9	37.1	36
Northeast	38.9	39.3	34.3	33.6

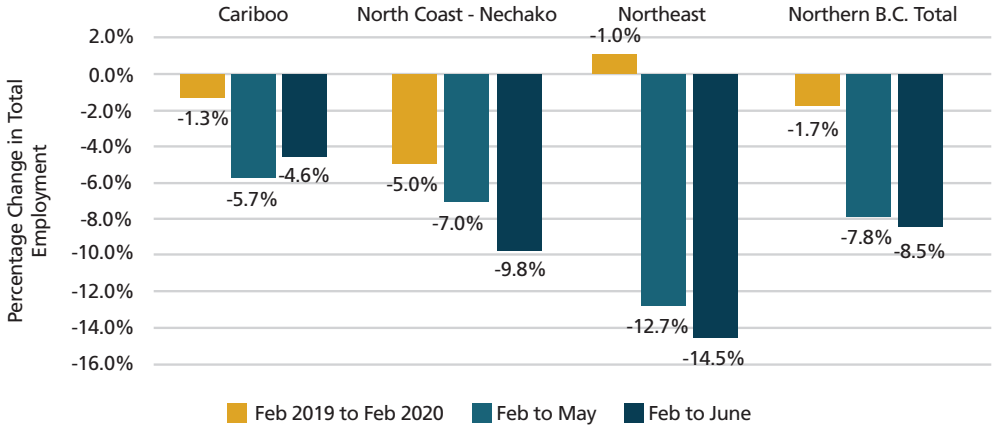
Source: Statistics Canada, Table 14-10-0091-01 Employment by industry, three-month moving average, unadjusted for seasonality, provinces and economic regions (x 1,000)

[1] BC's Response to COVID (Available here: https://www2.gov.bc.ca/gov/content/safety/emergency-preparedness-response-recovery/covid-19-provincial-support)

[2] BC's Response to COVID (Available here: https://www2.gov.bc.ca/gov/content/safety/emergency-preparedness-response-recovery/covid-19-provincial-support)

Figure 1 shows the percentage change in total employment by region in Northern B.C prior to COVID-19 restrictions and following the introduction of COVID-19 restrictions. The largest declines were in the Northeast, followed by the North Coast and Nechako. In both regions there are significant infrastructure projects under construction and when COVID-19 restrictions were introduced, construction activity was scaled back and workforces temporarily reduced. As B.C.'s economy restarts, construction activity in these regions is expected to resume and employment is expected to increase.

Figure 1: Employment trends by region in Northern B.C.



Source: Statistics Canada, Table 14-10-0091-01 Employment by industry, three-month moving average, unadjusted for seasonality, provinces and economic regions (x 1,000)

Table 2 shows the industries that have had the largest employment declines in Northern B.C. Employment in industries providing services related to tourism and events has declined by over 40 per cent while employment in construction and other services has declined by approximately 30 per cent. Compared with overall changes in employment in these industries, declines in construction employment in Northern B.C. have been relatively larger; however, this likely reflects the impact of COVID-19 restrictions at work camps on major infrastructure projects. As work resumes at these sites, employment levels are expected to recover. Significant improvements in employment in industries related to tourism and events is not anticipated as long as the border remains closed and there are restrictions on gathering sizes. There is also expected to be some recovery of employment in other services as B.C's economy restarts.

Table 2: Change in employment for selected industries, February 2020 – June 2020

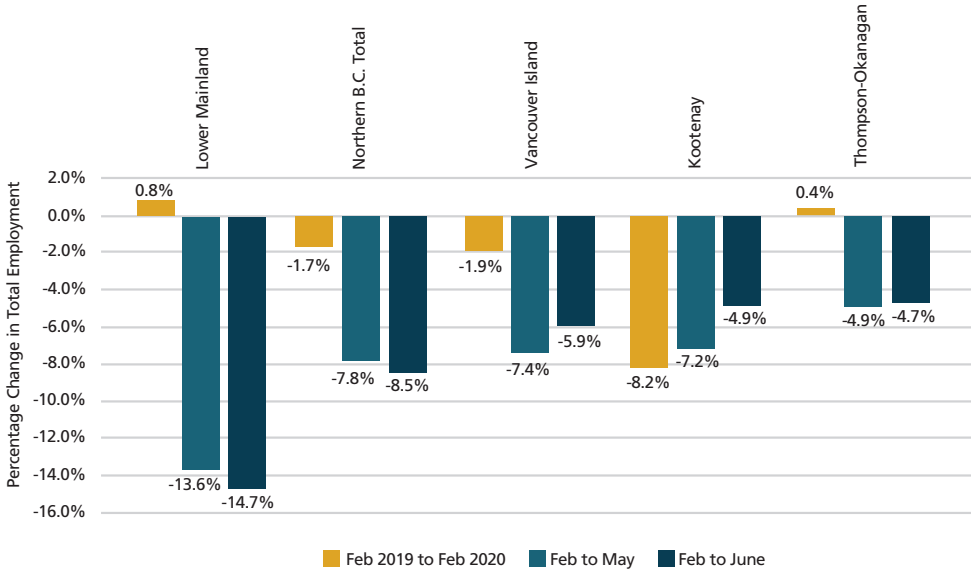
Industry	Northern B.C	B.C
Information, culture and recreation*	>-40%	141.5
Accommodation and food services	-40%	-42%
Construction	-31%	-13%
Other services (except public administration)	-28%	-26%
Total All Industries	-8.5%	-11.8%

Source: Statistics Canada, Table 14-10-0091-01 Employment by industry, three-month moving average, unadjusted for seasonality, provinces and economic regions (x 1,000)

*Please note that to meet the confidentiality requirements of the Statistics Act employment levels in Information, culture and recreation were suppressed for Northern B.C. in June 2020. Consequently, the estimate is based on the change in employment relative to the threshold for suppression of data.

Figure 2 compares the change in total employment by region prior to COVID-19 restrictions and following introduction of the restrictions. The Lower Mainland has had the largest decline in total employment. Declines in total employment in Northern B.C. have been similar to declines on Vancouver Island and are higher than declines in the Thompson-Okanagan region. Employment in the Kootenay region had declined significantly prior to COVID-19 restrictions and continued to do so following their introduction.

Figure 2: Employment trends, Northern B.C. and development regions



FORESTRY

After a difficult period in which there were a number of permanent mill closures in B.C., there were some promising signs in the North American construction market at the end of 2019. US housing starts were increasing and there was strength in the remodeling sector. However, by late February market conditions were weakening as COVID-19 spread and lumber prices declined.

Table 3 shows the year-over-year changes in softwood lumber production, shipments and stocks between January and April. In January and February production was down by approximately 14 per cent year-over-year and shipments were down by 23 per cent in the northern interior. Year-over-year production and shipment declines continued in March, and in April, production fell by over 50 per cent year-over-year while shipments fell by 27 per cent. Production trends in the northern interior were consistent with overall provincial trends, while shipments were down relatively more in the northern interior.

Table 3: Year-over-year change in forestry production, shipments and stocks (cubic metres), Northern Interior and B.C.

	Northern Interior			B.C		
	January /February	March	April	January /February	March	April
Production - softwood	-14%	-16%	-56%	-14%	-17%	-52%
Shipments - softwood	-23%	-20%	-27%	-18%	-16%	-24%
Stocks - softwood	-20%	-11%	-30%	-18%	-16%	-33%

Source: Statistics Canada. Table 16-10-0017-01

Table 4 shows the year-over-year change in B.C. softwood lumber exports. Total exports were down by approximately 25 per cent year-over-year between January and May. Exports to the US were down approximately 20 per cent while exports to China were done by approximately 42 per cent.

Table 4: Change in softwood lumber export volumes (cubic metres), B.C.

	January	February	March	April	May	June
B.C. to World	-32.8%	-11.3%	-18.7%	-28.8%	-31.9%	-25.2%
B.C. to USA	-18.9%	-12.8%	-4.3%	-30.6%	-44.6%	-20.1%
B.C. to Mainland China	-60.0%	-55.2%	-52.3%	-33.8%	-2.4%	-42.2%

Source: Statistics Canada, International Trade Statistics custom extract, July 2020

Table 5 shows employment in forestry and manufacturing (includes wood product manufacturing) in Northern B.C. between September 2019 and June 2020. In 2019 capacity was reduced in the forest industry in Northern B.C. as a result of long-term reductions in timber supply. This led to reductions in employment in both manufacturing and harvesting activity. In the first six months of 2020, employment in harvesting has been relatively stable while manufacturing has declined modestly relative to 2019 levels.

Table 5: Forestry employment (000s), Northern B.C.

	September 2019	December 2019	March 2019	June 2019
Forestry	14	11	11	10
Manufacturing	14	15	13	13

Source: Statistics Canada, International Trade Statistics custom extract, July 2020

The outlook for the B.C. forestry sector is mixed. In April, lumber prices were at, or below, $300USD per thousand board feet and since then, have increased to above $500USD per thousand board feet as of July 3. While lumber prices have increased as mills return to production lumber, supply is expected to increase which could put downward pressure on prices. In addition, physical distancing requirements are increasing the cost of harvesting in remote areas which could raise costs for some producers.

MAJOR PROJECTS

Site C

In March 2020, BC Hydro began to scale down construction activities at Site C dam, leading to a reduction of over 1,800 workers at the construction site from March to April.(4) The total workforce staying at the work camp was reduced by roughly 50 per cent to reduce the risk of COVID-19 infection and transmission. In May 2020, BC Hydro announced that construction activities will begin to ramp up, and by the end of the May 2020 approximately 200 additional workers have returned to Site C.(5)

LNG Canada

In March 2020, LNG Canada reduced their on-site workforce by over 50 per cent, leaving only workers conducting essential activities in Kitimat.(6) By April approximately 65 per cent of the workforce was temporarily suspended, leaving approximately 590 individuals in the work camp accommodations, down from 1,800.(7) In May 2020, LNG Canada announced that construction activities will being to ramp up, and additional worker accommodations will be constructed in order to provide COVID-safe lodging at the work site.

Coastal GasLink

In March 2020, Coastal GasLink began reducing their workforce from its 1,200-person peak in February, to roughly 400 in late March.(8) In May, Coastal GasLink announced they would begin to increase construction activities and ramp up hiring to reach roughly 650 workers by the end of May.(9) Coastal GasLink is planning to begin pipe installation activities in late summer, which will require 2,500 employees by the end of August and peak employment in September.(10)

SUMMARY

The impact of COVID-19 restrictions has had a significant impact on B.C's economy. Sectors like hospitality, tourism and retail have seen unprecedented levels of job and revenue losses. Northern B.C. has been somewhat less affected by COVID-19 than other regions of the province, as the region is less reliant on service-sector employment which has been particularly impacted by COVID-19. Many of the work camps at major project sites in Northern B.C. were forced to close, leading to significant layoffs in March 2020. Beginning in May 2020, re-hiring began to ramp up and there are indications that employment levels at project sites may begin to approach pre-COVID-19 levels by the end of the summer.

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[3] Madison's Lumber Reporter. https://madisonsreport.com/

[4] BC Hydro. Site C Monthly Employment Statistics. https://www.sitecproject.com/news-and-information/monthly-employment-statistics

[5] Ibid.

[6] LNG Canada. https://www.lngcanada.ca/news/our-response-to-potential-covid-19-risks/

[7] LNG Canada. https://www.lngcanada.ca/news/covid-19-response-update-4/

[8] Coastal GasLink. https://www.coastalgaslink.com/whats-new/news-stories/2020/winter-construction-completion/

[9] Coastal GasLink. https://www.coastalgaslink.com/whats-new/news-stories/2020/may-construction-update/

[10] Terrace Standard. https://www.terracestandard.com/marketplace/safe-and-gradual-ramp-up-for-summer-construction-underway-on-coastal-gaslink-project/

Joel McKay
CEO
Northern
Development
Initiative Trust

HOW DO WE CHART A PATH TO RECOVERY?

Joel McKay - CEO
Northern Development Initiative Trust

While it can be difficult to know exactly what to do to develop an appropriate response to our current economic challenges, we don't have to reinvent the wheel either. Many of the things that we've championed to support rural development in the past – robust business retention and expansion strategies, investment attraction, labour force development, placemaking enhancement – will continue to be cornerstones of our near and long-term growth initiatives for economic development offices throughout the north.

That's why the Trust will continue to place emphasis on community development initiatives, particularly capital projects that build lasting amenities for communities and put people to work in the near-term. Beyond that, housing continues to be a critical challenge for many communities across the north, and, as Greg and Marleen rightly point out, needs to be top of mind for every community as the region considers how best to retain its existing population and attract new professionals who might trade city life for rural life.

We applaud the provincial and federal government's decisions to extend benefits to small businesses and residents impacted by COVID-19, among the many other initiatives that have been enacted or regulations changed to make life easier during this period. Yet the pandemic also presents an opportunity to address long-standing issues to ensure Northern B.C. is viewed as a competitive jurisdiction for investment and job creation globally.

Of course, that means continuing to support innovation and growth in our existing regional businesses and making investments in broadband connectivity, which we applaud the Province for its continued commitment to.

But it also means taking a hard look at our tax and regulatory regimes to ensure they're modern and competitive to support continued investment on behalf of our core industries such as forestry, mining, oil and gas, agriculture and transportation.

While we're supportive of efforts to develop more value-added manufacturing in our region's forestry sector – something the Trust itself has invested in – the integrated nature of the forest supply chain should not be overlooked, which

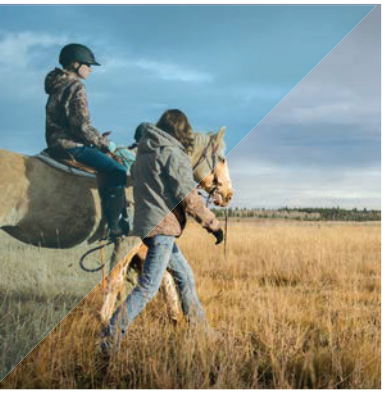
means we need to ensure we maintain a healthy, competitive environment for sawmills and pulp mills that remain the backbone of the industry and support the overall business case for value-added manufacturing.

As our economy continues to shift toward more knowledge-based work, we must also invest in land-based data that's not only an economic driver in and of itself, but reduces industry operating costs and leads to better business decisions. This means continued support for independent, public geoscience and geospatial data, a properly mapped and maintained resource road network and investment in LiDAR data that generates benefits for industry as well as communities faced with threats of natural disaster such as wildfires and flood.

On the service sector side, now more than ever we need to invest in tourism development in Northern B.C. This means actioning the destination development plans, supporting tourism business resiliency and growth and investing in attractions and amenities that, when we're ready to accept visitors again, will drive tourists to our doorstep and generate significant local employment, income and improve our overall quality of life.

Lastly, it should not be overlooked that a key reason why Northern B.C. will fare somewhat better than other parts of B.C. during this current downturn is because of key energy sector projects currently under development – Site C, LNG Canada, Coastal GasLink and the Trans Mountain Pipeline. These projects are putting thousands of British Columbians to work at a time when those jobs are needed most and are helping to ensure that B.C. and Canada continue to have a stable, competitive and responsible energy sector.

As Greg and Marleen point out, we cannot control what happens beyond our borders – but we can control how we respond to it. Now is the time to respond with optimism, action and to push for a better future for our region. We economic development folks like to talk about jobs and income, but that's not really what it's about. Those are just indicators that help us understand if we are achieving what we're really after – a better quality of life for everyone that calls Northern B.C. home. That's what it's about and that's what we'll keep building.



Northern Development INITIATIVE TRUST

ABOUT NORTHERN DISPATCH

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

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

NORTHERNDEVELOPMENT.BC.CA/NORTHERN-DISPATCH

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