

## Our reliance on the Forest Industry for taxes...

*“The mountain pine beetle epidemic will result in a substantial decrease in timber supply in some areas, which is expected to have significant economic and social ramifications.” (Mid-Term Timber Supply, June 11, 2012).*

### **RECREATION TAXATION**

North Cariboo Recreation & Parks function: Total Tax Requisition ~ \$3.1 million

Residents contribute \$1.6 million (54%), major industry **\$544,240 (18%)**, and business & other **\$595,816 (19%)**. Major Industry & Light Industry contributes **3.4 times** the taxes that residents contribute.

With the anticipated shortfall in timber within the Quesnel TSA comes a reduction in harvesting and milling capacity and a potential decline in population due to families having to relocate to find employment elsewhere. This will potentially result in a reduction in overall taxes collected. This anticipated shortfall in taxes will become the responsibility of residents if the desire is to retain services at the same level (unless funds can be generated elsewhere).

### **Overview of the Quesnel Timber Supply Area / TSA & TFL 52**

- ✓ Quesnel Timber Supply Area / TSA = **2.1 million hectares**;
- ✓ **1.4 million ha.** (67%) is Crown productive forest (outside of Indian Reserves, private lands, Area Based Tenures (Tree Farm Licence 52, Woodlot Licenses, & Community Forest Agreements);
- ✓ **434,416 ha.** (31%) of productive forest is not available for timber harvesting – protected areas, caribou no-harvest areas, old growth management areas, wildlife tree patches / riparian areas, low productive areas, non-merchantable forest types, etc.
- ✓ Current harvesting land base = **965,687 ha.** (46% of the TSA)
- ✓ Lodgepole pine (PI) comprises ~ 70% of total mature volume on timber harvesting land base
- ✓ Total area of TFL 52 is **293,485 ha.** of which 199,376 ha. (68%) is currently available for harvesting; PI is the dominant species in 26% of the productive forest area in TFL 52. Stands in which 50% or more of the trees are PI occupy **28,000 ha.** or 14% of the THLB / Timber Harvesting Land Base. Total volume of PI on TFL 52 is about 7.5 m<sup>3</sup>. of which 85% is either dead or dying due to attack by MPB.
- ✓ AAC for TFL 52 is **1,000,000 m<sup>3</sup>** (effective April 1, 2009) which represented an increase of ~ 15% from the previous AAC. This AAC will remain in effect until a new AAC is determined (must take place within 5 years of this determination).

### **Allowable Annual Cut / AAC's - refer to Graph for additional information**

- ✓ 2.3 million m<sup>3</sup> - 1981 to 1996
- ✓ 2.34 million m<sup>3</sup> – 1996
- ✓ 3.2 million m<sup>3</sup> – 2001 (in response to mountain pine beetle / MPB infestation)
- ✓ 5.3 million m<sup>3</sup> – 2004 (for salvage of MPB killed timber)
- ✓ 4.0 million m<sup>3</sup> – since 2011 (with 650,000 m<sup>3</sup> attributed to non-pine)
- ✓ 2001 to 2012, harvest averaged 3.5 million m<sup>3</sup> in Quesnel TSA with 82% (2.87 m<sup>3</sup>) of volume being pine

### **Economic Profile in the Quesnel TSA**

## *An objective look at the proposed North Cariboo Multi-Centre Project*

- ✓ Economies of the communities in the Quesnel TSA are largely resource-based, and the majority depends on the local forest industry. The forest sector accounts for **48%** of employment.
- ✓ Quesnel is the 3rd-most forestry dependent district in British Columbia.
- ✓ The City of Quesnel relies on local forestry-related mills **for 2/3rds of its municipal tax base**. For recreation alone, the industrial contribution to the NCRP function for the City of Quesnel for 2012 was **\$544,239**.
- ✓ Quesnel has one of the least diversified communities in the province. The calculated **diversity index** for Quesnel is **56** (with zero being no diversity (if the area were entirely dependent on one sector) and 100 for very diverse (if an area was equally dependent on several defined sectors). Calculated diversity indices for BC communities tend to be between 50 and 80.
- ✓ The **Forest Vulnerability Index / FVI** for Quesnel is **100** with zero being low vulnerability and 100 being high vulnerability. The FVI indicates the vulnerability of an area to potential downturns in the forest sector. A community is vulnerable if its forest sector dependence is high and its diversity is low. A high FVI value does not mean that the wood-based manufacturing facilities in that area are more likely to shut down than in other areas. Rather, a high value means that if forest sector activity in the area declines then the area will experience greater economic difficulties than other areas in the province would under the same or similar circumstances.

### Employment

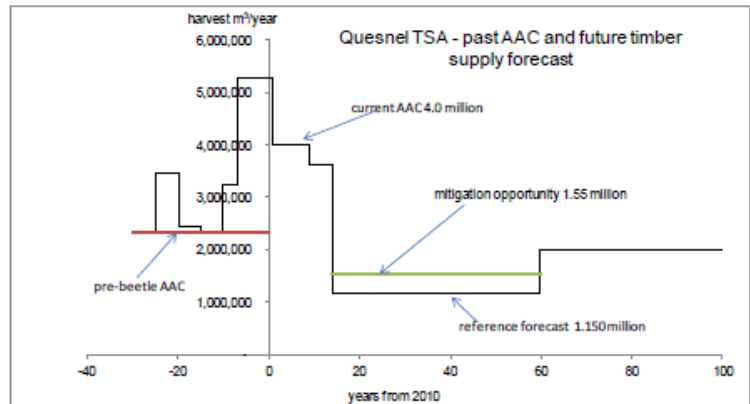
- ✓ **3,162** person-years\* of direct, indirect and induced employment supported by the TSA AAC in 2000 before uplift;
- ✓ Increased to **3,667** person-years during peak harvest from 2006-2009
- ✓ Total employment supported by the timber supply area could drop to **1,567 person-years by 2023** without mitigation, and **to 2,113 person-years** with mitigation scenarios.
- ✓ Tree Farm Licence 52 (held by West Fraser Mills) supports about an additional **700 person-years** of total employment.
- ✓ *A person-year is defined as the amount of work done by an individual during a working year, on a specific job.*

### Diversification Opportunities

- ✓ Diversification opportunities exist within the TSA (e.g Barkerville Gold Mines Ltd. (Bonanza Ledge open pit gold mine northwest of Barkerville), Taseko Minds (Gibraltar Copper mine), exploratory work occurring west of Nazko (linked to the Blackwater Gold district and New Gold Inc. development southwest of Vanderhoof), Nechako Basin west of Nazko ( an undeveloped source of oil and natural gas)
- ✓ ***Although mining development is beneficial and may result in employment in Quesnel and area, unless these mines are located within the boundary of the North Cariboo Recreation & Parks function, THEY WILL NOT PAY RECREATION TAXES.***

## An objective look at the proposed North Cariboo Multi-Centre Project

Without mitigation, timber supply in the Quesnel TSA is projected to decline by **48%** in the mid-term – from **2.3 million m<sup>3</sup> / year** (pre-epidemic) to **1.15 m<sup>3</sup> / year**. This is projected to occur approximately 2015. Mitigation\* has the potential of increasing the mid-term harvest level by **400,000m<sup>3</sup>** – for a projected total of **1.55 m<sup>3</sup>**. This increase is projected to maintain ~ 350 additional, direct, indirect, and induced person – years of employment in the Quesnel TSA.



**\*Mitigation includes:** (i) allow harvesting in old growth management areas, (ii) alternation of Visual Quality Objectives, (iii) Removal of stand-level biodiversity objectives (e.g. wildlife tree patches); (iv) allow harvesting in areas where the site index is too low to produce a minimum required volume of timber in a set timeframe.

### References

**“Mid-Term Timber Supply – Quesnel Timber Supply Area”;** June 11, 2012 - Produced by the Province of British Columbia; [http://www.for.gov.bc.ca/hfp/mountain\\_pine\\_beetle/mid-term-timber-supply-project/Quesnel%20TSA.pdf](http://www.for.gov.bc.ca/hfp/mountain_pine_beetle/mid-term-timber-supply-project/Quesnel%20TSA.pdf)

**Tree Farm License 52 – Held by West Fraser Mills, Rationale for Allowable Annual Cut (AAC) Determination,** Effective April 1, 2009, <http://www.for.gov.bc.ca/hts/tfl/tf152/tsr3/52tf09ra.pdf>

**British Columbia Local Area Economic Dependencies: 2006;** [http://www.merritt.ca/sites/default/files/documents/economic\\_development/BC%20Local%20Area%20Economic%20Dependencies%202006.pdf](http://www.merritt.ca/sites/default/files/documents/economic_development/BC%20Local%20Area%20Economic%20Dependencies%202006.pdf)