

Scenarios on the Future of the Trail District

April 2003

Introduction

Scenarios are alternative descriptions of the future. They focus on the forces driving change and the critical uncertainties leading to different possible future outcomes. They are not predictions. Scenarios are stories of different futures designed to deepen understanding and insight on change and broaden thinking on the future. They are thought experiments intended to improve understanding of the implications of today's decisions.

Scenarios are written as stories about the future. Stories are a traditional and powerful way of communicating complex and often subtle ideas. They encourage the reader to participate in the experience.

This report describes four scenarios on the future of the Trail District. The report is structured into three parts.

- 1) The thinking in developing the scenario logics;
- 2) The four scenarios;
- 3) A summary comparison table highlighting the differences across scenarios.

How to Use These Scenarios

These scenarios are snapshots that seek to characterize what the district of Trail might look like between now and 2013. They are vehicles for strategic discussion. Ultimately the objective is to a) utilize these scenarios in the development of a long term Vision for the district and b) to identify the strategic priorities within an overall long term strategic plan. The scenarios are intended to highlight the key choices and variables that need to be considered in developing the vision. The scenarios also serve to highlight the risks and opportunities of different futures. Ultimately, the strategic priorities to help the region achieve a desirable future vision need to consider what needs to be achieved as well as what needs to be avoided.

It is important that readers consider all scenarios as plausible futures, each representing a future that could unfold over the next 10 years. Emphasis should be placed on the key concepts, ideas and logic rather than any individual detail. One key question is: what are the major learnings from each scenario? Ultimately, however, the key question is not whether the scenario could happen but rather *'what would we do if it did happen' or 'what could we do now to either influence the outcome or be better prepared for the future'?*

Developing the Scenarios

Driving Forces

What are the forces and factors shaping the future of the Trail District? A list of 10 forces was identified as shown in Figure 1. As the figure conveys, the region is under considerable pressure from an array of different forces and factors. One conclusion is that Trail District in the future may well look and feel much different than it does today yet there is also a scenario that portrays little change.

Figure 1



Each of the forces or factors identified in Figure 1 represents an important dimension of change in describing future outcomes for the Trail District. Some of these forces have outcomes that are predictable while others could lead to a wide range of outcomes – they are “uncertain”. Factors or forces that are *both* important and uncertain are defined as critical uncertainties. It is these critical uncertainties which are vital in developing the scenario framework because they are factors that lead to divergence, i.e. distinctly different futures.

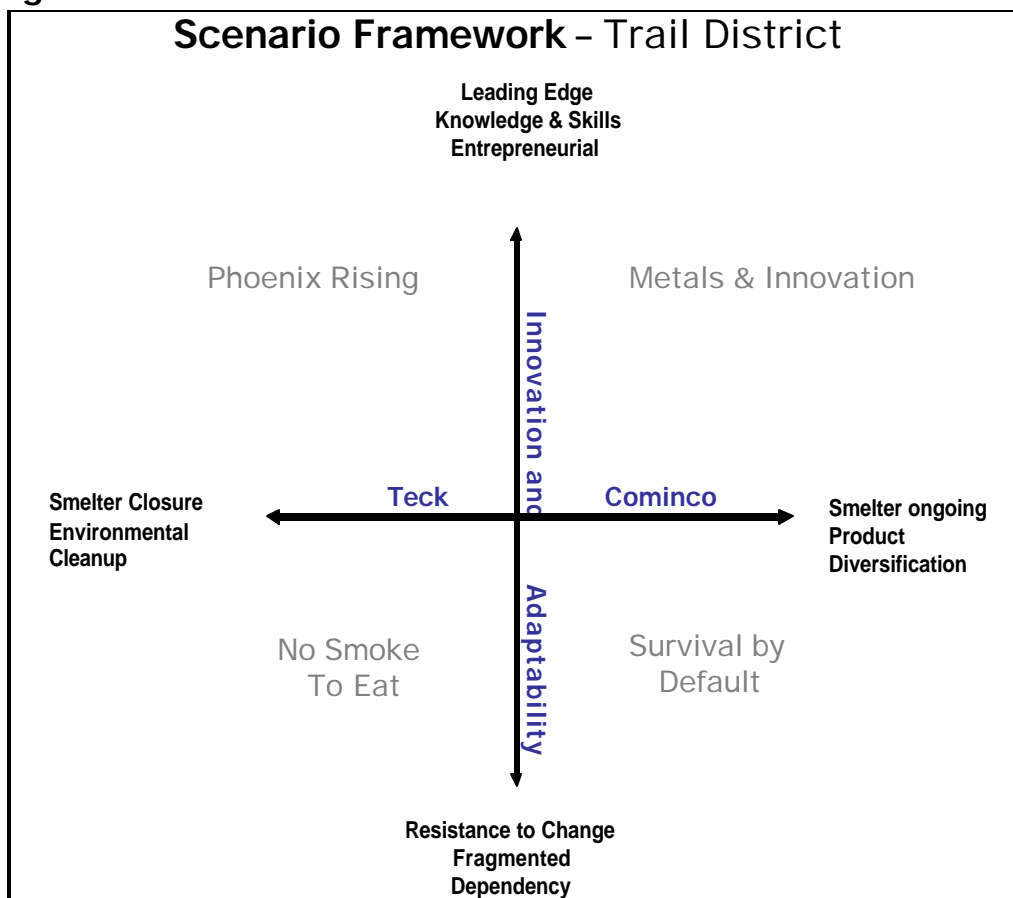
Two critical uncertainties were identified: the future of Teck Cominco and the innovative and adaptive capacity of the community to respond to change. The Future of Teck Cominco focuses on the future role of the company and its smelter operations. Will the facility continue to operate and dominate the community as it has for so many years? How real is the possibility of it closing permanently and how quickly could this happen? If it does continue to operate, what will happen to employment levels?

Innovation and adaptability focuses the on the capacity of the Community to respond to change, to adapt and grow, to embrace a forward-looking ‘can do’ mindset. How can this new attitude develop and how can the community leverage its depth of expertise and experience in metals and processing?

Scenario Framework

These key uncertainties may be represented as continuums or dimensions forming orthogonal axes as shown in Figure 2. The key uncertainties provide a logical framework for developing distinctly different scenarios. Each quadrant represents a unique combination of outcomes of the two critical uncertainties

Figure 2



Trail District Scenarios

The focal question for the scenarios was:

‘How can we create the capacity to build a growing, prosperous and sustainable Community?’

With this in mind, four scenarios were created. The scenario descriptions below involve two parts. First, a short overview is provided. Then a more detailed story is presented written from the perspective of a storyteller looking back from 2013.

Phoenix Rising

Overview

In **Phoenix Rising**, a crisis mindset embraced by the Community led to the identification of key priorities for change that provided the Community with critical initial momentum before the announced closure of the Teck Cominco Trail facility

It became clearer to the Community in 2003 that they could not count on the Trail Smelter operation carrying on indefinitely. Community leaders were convinced that plans for a post Teck Cominco future needed to be established and certain initiatives taken in the near term while the smelter was still operating.

A key component of the long-term plan was to focus on the metals and processing knowledge and expertise within the community. It was hoped that this ‘knowledge base’ would form the basis for diversification of the local economy and to establish the district of Trail as a ‘Centre of Excellence’ in the field of metals and processing with a strong research and teaching element.

The community, private business and government needed to actively support this major initiative – a task force was established to begin discussions with both the Federal and Provincial governments. Governments were prepared to listen – the interior of B.C. had been hit hard with the ongoing softwood lumber dispute with the Bush Administration and there was recognition of the need for support for the region.

World zinc prices do not recover and the community’s fears are realized – Teck Cominco announces it will permanently close the Trail operation. The community goes through its most difficult time in its history but the spirit of the local people and actions taken as part of a long term plan see it through this challenging period and recovery takes hold.

The Story – Looking Back from 2013

Planning

It became clear to the Community in 2003 that they could not count on the Trail Smelter operation carrying on indefinitely – there was a realization that the facility – driven by global metals prices and competition, could be shut down without the benefit of a long lead notice ala the Kimberley mine. The possibility of a closure of the facility had always been in the back of every one’s mind but despite the ongoing downsizings, Teck Cominco kept the facility operating. But what would happen to the community if it did shut down with only a few months notice? There would be some ongoing work as the facility wound down but the impact would be devastating. A long term strategic plan was needed for the Community – a plan that addressed the distinct possibility of a permanent closure of the smelter. Strategic priorities were established and task forces created to develop each of the priorities

A key component of the long term plan was to focus on the metals and processing knowledge and expertise within the community. This ‘knowledge base’ was to form the basis for diversification of the local economy and to establish the district of Trail as a Centre for Trades and Innovation with particular expertise in metals and processing. It was envisioned this Centre would also have a strong research and teaching component. It was an ambitious plan that required participation from both the public and private sectors along with the Community. The task force established in 2003 to develop the vision and business plan for the Centre began discussions with the Federal and Provincial governments along with post secondary education institutions including BCIT and SAIT. Early support from Teck Cominco was also seen as vital.

Governments listened and were prepared to listen – encouraged by the depth of the thinking that had gone into the District’s vision and long term plan. One of the first supporting initiatives was government funding for the installation of broadband internet infrastructure. Another was government funding as part of a new Public-Private partnership for the upgrade of the Grand Forks airport.

It was also very clear the Community needed to work together in close collaboration - one strong regional voice would be vital in discussions and negotiations. Community leaders and politicians were convinced of the need to move to a single governing structure for the District of Trail. Residents needed to be convinced. A Communication program was developed - town hall type meetings established and a motion to put the issue forward in a civic referendum was initiated. The debate was intense but Community residents understood the need for change was now – the motion was passed with a regional structure established in late 2003.

Government Role & Infrastructure

The Federal and Provincial governments were both supportive of the long term plan and vision put forward by the Community. It was important for both levels of government to be seen as supportive of the B.C. interior. Support was needed on three fronts; a) transportation infrastructure including north –south highway and border crossing

upgrades and upgrading of air access into the region, b) high speed internet and broadband capacity for the region and c) the proposed Centre for Trades, Technology and Innovation. Public private partnerships were seen as appropriate vehicles for funding/operating an upgraded Grand Forks Airport and the new Centre. Discussions were initiated with WestJet, BCIT, SAIT and other organizations to consider participating within PPP type arrangements. Progress was made on all three fronts over the course of 2004. Plans were established by research arms of both governments including the National Research Council, to undertake research activities at the Centre. These were critical 1st steps in getting the Centre moving from a planning stage toward implementation.

The Provincial government began to develop plans to restructure electricity generation in the province and to privatize B.C. Hydro – with strategic implications for the power generated at the Teck Cominco Trail facility

Teck Cominco

The community's fears were realized in 2005 when TC announced it was going to permanently close the Trail Smelter. The facility would be gradually wound down over the following 12 months with environmental remediation beginning at that time. World zinc prices had fallen further – below \$.30 per pound and the outlook was for metal prices in general to remain flat or trend down in real terms in the future. The Canadian dollar continued to strengthen reaching \$US .75 – further exacerbating TC's earnings and cash flow. Shareholders were looking for improved returns – it was time for change. Initially there was panic in the community – how big would the first round of layoffs be – who would be the first to leave? How many and what kind of jobs would there be to handle the long term remediation of the site facility.

One of the first priorities was to retain the expertise and experience of the people leaving the company – Teck Cominco had been part of the longer term planning done over the previous years and was committed to helping the community in its transition – severance payments were structured in such a way as to encourage people to stay and become involved in the new Centre.

At the same time the company was phasing out its smelting operation, it began establishing the environmental remediation plan for the site – remediation needed to reflect the latest thinking – the provincial government saw it as an opportunity to establish a 'best practices' of environmental site remediation and wanted to see the plan connected with the newly established Centre for Trades and Innovation.

Negotiations began on realizing value from its hydro facilities - a number of options were considered from continued ownership, joint ventures and outright divestitures. Valuation of the facilities needed to be considered in the light of plans for electricity restructuring within the province

Community – hardship and recovery

Despite the many years of uncertainty as to the longevity of the smelter, the closure announcement was still a shock to the Community. However, this was the time for the Community to pull together. Actions taken over the previous few years in terms of regional governance and economic diversification would provide a base from which to survive.

It was still a difficult time, suppliers serving the smelter operation began to close one after another, the service industry retrenched...people needed to find work- those without long term community roots tended to leave despite the potential opportunities associated with the new Centre. Population numbers declined. Memberships at local golf clubs declined. Red Mountain carried on for another winter but then closed due to lack of skiers. The local owners put the facility up for sale. Local tax revenues were declining – the new regional government had to cut back on local services as it cut its operating budget.

Commitment, tenacity of the Community leaders and the spirit of the people formed the backbone and foundation that kept the Community going through its most difficult time in its history. Volunteerism, in particular from the retired community, helped those most in need.

It was the demolition of the smelter smoke stack that seemed to embody the turning point – the image of the Community seemed to change overnight. Eco - tourist operators moved into the region leveraging the Columbia river. In the spirit of collaboration, Trail and the other Kootenay regions including Nelson, Cranbrook/Kimberley and Creston began discussing efforts at marketing and promoting the entire region as a tourist destination, in particular to Americans in the PNW – why not work together and expand the whole tourism pie than compete with each other. New investors purchased Red Mountain with ambitious plans for housing development and a golf course.

The Centre for Trades, Technology and Innovation gained momentum – new research driven jobs were filled with people moving to the Community. Others moved to the Community for training. Opportunities opened up at the Centre for skilled TeckCominco people – keeping many of them in the Community. With government support and commitment, TeckCominco's environmental remediation efforts involved the Centre.

2013

What a difference 10 years can make. The Community has a much different look and feel about it – the smoke stack has disappeared along with the dependency of many well paying industrial jobs. However, in its place is a Community focused on the future, focused on technology, knowledge and training. The Community came through the closure of the smelter – its raison d'être – on the spirit of its people, volunteerism, and leadership committed to a re-birth of the district of Trail.

Metals and Innovation

Overview

In **“Metals and Innovation”**, local pride, determination and initiative combines with favourable metal markets to create a prosperous new path for South Kootenay.

An extended cyclical downturn in zinc markets leads Teck Cominco to further downsize its work force at the smelter. This raises alarm bells for local leaders. An urgent change in thinking is required. There is a coordinated effort across communities to attract Provincial and Federal support. This ranges from infrastructure improvements to training centres to incentives for new businesses. Tourism is one target with a promotion focusing on South Kootenay as a new destination for skiing, hiking, fishing and other “experiences”. Tax concessions for new businesses are introduced. There is pressure on health authorities to maintain and expand the Regional Hospital. As these initiatives gain force and focus, the world zinc market recovers. Teck Cominco expands production and increases the work force. With the growth of other businesses, this attracts new, young workers into the region. Some are skilled immigrants. Management – union cooperation also opens opportunities to develop new metals-based businesses as part of a diversification effort at Teck Cominco. Other small business start-ups expand based on value-added wood products, metal manufacturing, fabrication and recycling, tourism and health care. Infrastructure investments in roads and broadband assist this surge in new activities. With a strong Teck Cominco operation, growing regional health care centre and growing new businesses, South Kootenay experiences an extended period of growth in jobs and population. This creates a virtuous cycle of innovation and optimism that attracts new businesses that generates new optimism and willingness to take risks. This provides a tax base for upgrading and enhancing local community services which reinforces the lifestyle attractiveness of the region. By 2013, South Kootenay has grown to 25,000 people – younger, dynamic and confident about the future.

The Story – Looking back from 2013

My name is Bill Connors. I’m the mayor of Trail. I was born and raised in Fruitvale, left the region to go to school and came back to South Kootenay ten years ago. I was a lab technician working in Vancouver but I missed the people, the skiing and the mountains. I wanted my family to experience the life I had growing up here. I was lucky to get a job at the regional hospital. Its called the regional health complex now.

Ten years ago, things weren’t going very well in the region. There were layoffs at the smelter, the future of the hospital was in doubt, schools were being closed, jobs were in decline and the population was aging as young people left. The future didn’t look very bright.

But things changed. The wakeup call came in 2003 when Teck Cominco announced yet another downsizing with more lay-offs due to the depressed zinc market. This meant the loss of just a few more jobs in a long string of announcements. But the future seemed pretty clear: slow decline and falling employment at Teck Cominco; the same for the region.

I'm not sure why this triggered a response, but it did. Alarm bells went off for local leaders. Political, business and community leaders got together to meet the "crisis". There was a new urgency to do something, to take action, to stop the decline. There had been efforts before without much result. This time there was determination to follow through, to work together and to stay focused on a plan.

What could be done? The first step was to get the community – all the communities – involved. You couldn't expect help from others if you weren't willing to do things yourself. And this required volunteers, commitment and organization from community groups across the region.

Second was to seek help from Provincial and Federal governments. They also had a great deal to lose if the community became economically and socially unsustainable. One focus was infrastructure. North-South road improvements were critical to improve the movement of goods for local businesses. An upgraded airport to improve reliability was critical for both business and tourist travel. And improved fibre-optic connections to raise broadband access were critical for communications in the new knowledge-based world.

Another focus was on incentives for new business start-ups and expansion of existing small and medium sized businesses. What regional development programs were available? Could the Trail area access those? Could the region get funding from Western Canada Diversification? What provincial funds might be available? Could a provincial education centre for trades training be located in the area?

A specific focus of concern was the Regional Hospital. A review threatened to shift the bulk of operations to Castlegar. How could this be prevented? Did the government understand the economic and social implications of shifting jobs out of the community? Did the health authority realize the savings from centralization would be trivial compared to the social costs in the Trail District?

A third step was to attract new businesses? What did the region have to offer? Tourism was one area of potential development. Leveraging Red Mountain was an obvious approach. But the unspoiled natural mountain wilderness was another marketing advantage: skiing, hiking, fishing, canoeing, etc. People wanted new experiences and the region had a wealth of opportunities. The mayors of the five communities got together and agreed to fund a marketing effort for the region. There was a need to change the external image of the region – from smoke to spectacular. A bold symbol of the new spirit of cooperation as well as the sense of urgency was to promote the region as South Kootenay.

What other new businesses could South Kootenay promote and foster? The region had a long history and experience in metal smelting, manufacturing and fabrication. How could this local knowledge be used to create new businesses? Recycling was one example. Were there others? A metals cluster initiative brought together a variety of existing businesses, including Teck Cominco and earlier spin-offs, to explore new opportunities. Could a “metals innovation” centre be established in the region? What local initiatives would most benefit this potential growth cluster?

The region was aging. The lifestyle was attractive. Could South Kootenay become an attractive low-cost retirement community? This could generate a host of care and service activities. At the very least the area needed to retain its retirees as a major source of income for the region.

Just listing the opportunities had a positive effect. The future was not predetermined and hopeless. There was a growing sense that the community had the power to shape if not completely control its future. They were not helpless. This reinforced the strong feelings of pride in the community and the grit and determination of a community with a long history of hard work and survival.

These new attitudes and new initiatives did not meet with instant success. Getting the attention of Federal and Provincial politicians took time. Developing and undertaking a plan to promote and market the new “South Kootenay” took time. Getting momentum behind local initiatives like the metals cluster and small business initiative took time. And the results involved even longer time lags. It would have been easy to give up. But we didn’t.

Nor were individual efforts easy. Disagreements were inevitable. Efforts to expand and improve services at the industrial park, for example, taxed the spirit of cooperation among communities in the region. Tax incentives for new businesses were equally controversial.

The first real effects of these efforts were in 2006. A number of new business start-ups added a sprinkling of jobs. Plans for improvements in the North-South corridor were well advanced. A decision had been made not to relocate the hospital; instead there were plans for expanded services. Telus was investing in new broadband capacity. Then good luck smiled.

The zinc market had improved significantly and Teck Cominco announced a series of new initiatives. These included expanded production at the smelter and plans to utilize existing but unused facilities to develop a number of new businesses. The company also offered incentives for spin-off opportunities. Some of these involved outsourcing of some activities, which raised real concerns with the union. But with Teck Cominco significantly expanding employment at the smelter, the difficulties were not insurmountable. The union and the company would both be stronger.

This development was a great stimulus to South Kootenay. With ongoing retirement and new hiring a surge of young, skilled workers were attracted to the region. Many were skilled immigrants. This reinforced a growing sense of optimism and confidence. House prices increased. Demand for mortgages increased. Vacant retail space was renovated and leased. New business start-ups increased.

By 2008 South Kootenay had regained and exceeded its 2003 population and showed signs of further growth. New condos were being built at Red Mountain and tourism was up significantly. The metal innovation centre was established and attracting worldwide interest. The trade centre was planning expansion. The only fear was complacency. Teck Cominco was expanding and all was right with the world. Did we really need to invest more in the industrial park? Did we need tax incentives for small business? Did we really want more people retiring to South Kootenay?

Fortunately, this did not happen. People recognized that prosperity might not last. World zinc markets were fickle and Teck Cominco might be forced into lay-offs again. A new government might stop investing in the hospital and infrastructure. But most important, the taste of entrepreneurship had taken hold. Being in control of you own business was risky but exciting: no pension but no boss. You made the decisions. And there were opportunities to make money with initiative and hard work.

Today, South Kootenay has grown to 25,000 people. The population is younger, engaged in the community and confident about the future. There are social challenges from the influx of people. For example, many are immigrants with different values and lifestyles. Others without connections locally, have brought new attitudes and expectations to the region. Some old-timers lament the relaxed lifestyle of the past. But they are a small minority. Most see South Kootenay as a great place to work and raise a family. That has not changed.

Survival by Default

Overview

In **'Survival by Default'**, Teck Cominco, the single dominant force in the community for over 100 years, continues to dominate all aspects of life for the five communities in the District. The District of Trail is perceived by both outsiders and residents as a 'one company town'. This leads the external business community and retirees alike to be skeptical of moving to the region, or for that matter for recent local retirees, staying in the Community. Unless your business idea is tied directly to Teck Cominco's operation in Trail, the risks were seen as too great. The resulting tax base erosion leads to a continued decline and aging of the District's population and a slow but continuous decay in community infrastructure and amenities. Tensions mount with a fragmentation / polarization of the society; those working for Teck or the Regional Health Facility represent the 'elite' of the Community in terms of disposable income, while the folks living on social assistance, encouraged to move to the Community by Provincial

authorities, are seen as the group at the other end. Community spirit and a sense of pride in the Community slowly erodes. Life goes on. A sense of complacency settles in and nothing much seems to change.

The Story – Looking Back from 2013

Teck Cominco

Teck Cominco continued to operate its Trail facility in the early years of the decade, despite the low international price of zinc, on the basis that cash operating costs were being covered. With cash operating costs covered, senior management was not forced into decisions of restructuring or closure. Permanent closure of the facility would trigger remediation and land reclamation commitments – not something the company wanted to embark upon. TeckCominco found ways to remain in business - giving it time for base metal prices to recover on world markets. It opened its new Washington State mine in 2003/4 – the new mine provided up to 15% of the ore requirements of the smelter with much lower transportation costs. The company was able to reduce its work force - as it continually introduced new technologies and efficiencies. The face of the company changed throughout the decade as many employees reached retirement age and left the company. Teck was forced into recruiting new workers (albeit fewer in number) to replace the retirees. As the workforce turned over, overall payroll costs declined with the higher paid unionized workers leaving for retirement. The company constantly modified its product slate as it strove to maximize value from the facility

The company survived the ‘trough’ in base metal prices. New global product developments led upward pressure on zinc, lead and other base metal prices by mid decade. Post 9-11 security concerns and the rebuilding of Iraqi infrastructure contributed to the global demand. With international zinc prices trading in the \$.45-50 cents per lb. range, Teck was able to post positive earnings.

Volatile electricity prices in the PNW and California presented opportunities for the company to periodically shut-down the smelter and sell electricity into those markets. Decisions were made based on straight forward economics and shareholder value considerations. The shut-downs were resisted by the United Steelworkers - relationships with the Steelworkers deteriorated as the union pushed for greater sharing of the improved financial performance of the facility.

Regional Governance

The communities considered the formation of a regional governing structure yet one more time in 2003; like previous efforts, this initiative never gained sufficient momentum to bring the issue to a civic vote. There was simply not the sense of urgency – it was viewed as something that could always be considered again in the future. TeckCominco was still operating - why take on the risks of operating under one regional structure – lack of trust, fear of losing control and ‘losing’ in the process encouraged community leaders to go with the status quo. Each of the communities fought fiercely to keep existing schools, community centres, libraries and arenas operating. But there was

only so much tax revenue to support all of these facilities – visible decay became more evident.

Demographics

Total population in the District continued to gradually decline – reflecting a long standing trend. Limited opportunities continued to force younger members of the community to leave the community for the lower mainland, Calgary and the Okanagan - seeking employment or education opportunities elsewhere.

TeckCominco was forced into replacing retiring older workers – often the company was forced into recruiting from outside the community - thus bringing in some new people into the community. The new people were more mobile in nature – expecting to work at the Trail facility for a period of time as opposed to seeing the move as a lifelong commitment. Rossland benefited from these TeckCominco recruits – resulting in even greater disparity between the inner core of Trail – exacerbating the tensions across the five communities. The newly retired TeckCominco workers had typically been long standing members of the Community – they tended to stay providing health care, amenities and recreational facilities were available.

Trail continued to be a designated Community for people receiving social assistance – it was less costly for these people to live in a community like Trail with its relatively low cost of housing. Tensions mounted over the years - these folks were seen by the long time residents as having no commitment to the community and effectively not paying their way

Provincial Government Influence

There had been a lot of talk and speculation that the Liberal Provincial government would recognize and acknowledge the importance of the B.C. interior with increased spending and support for upgrading of infrastructure or through a greater allocation of a portion of provincial revenues to the local communities of the interior. It turned out to be a lot of talk and little action. Much of Victoria's attention was focused on Lower Mainland issues and the 2010 Olympic bid.

Economic Diversification

Ongoing attempts at diversifying the regions economy met with limited success. Investment in the community, for the most part, was still tied to either TeckCominco or the Regional Health facility – overwhelming the limited local entrepreneurial spirit. Why take the risk? Attempts to develop metals and forestry clusters did not have the necessary long term staying power.

Small scale tourism initiatives – leveraging the Columbia river valley, provided some limited opportunities – in particular for the communities youth. The region was still seen by the recreation and tourism sector as industrial and of course, dominated by the smelter and its smokestack. Other investment alternatives existed across the interior of B.C in tourism. Red Mountain remained as a 'local ski hill' – loved by the local community but unable to attract outside investment.

2013

Another 10 years have gone by. The smelter is still operating, the smokestack still announces to visitors this is a company town, the regions population has declined some more, everyone is a little older and the local arenas, swimming pools and libraries all look like they could use more maintenance capital. ‘Nothing much has changed’

No Smoke to Eat

Overview

In “**No Smoke to Eat**” a prolonged range of efforts to save the smelter from closure in the face of chronic losses ultimately fails leading to a downward economic and social spiral.

Weak zinc markets put pressure on Teck Cominco to reduce costs. A no hiring policy leads to a period of slow downsizing and ongoing friction with the union. Conditions worsen over time as the expected “cyclical” upturn in the markets fails to materialize. A surge in power prices in 2006 is the first blow. Teck Cominco announces a temporary closure of the smelter to maximize power sales and warns that a permanent closure is likely if significant cost reductions cannot be found through labour concessions and tax relief. An accompanying announcement of permanent layoffs without prior consultation with the union immediately sours management – union bargaining discussions. Union concessions are not forthcoming. Requests for provincial and federal government support are met with bureaucratic delays and buck-passing. The Province wants Federal support. The Feds claim this is a provincial problem. A reopened smelter continues to lose money. A decision is made to shift from Alaskan concentrate to processing residue as a stopgap measure. Tax concessions are requested of Trail. Remediation and reclamation plans are put on hold. These developments are met with dismay, panic, anger and denial by local political leaders and the public. Despite signs leading up to the crisis, the municipal leaders are caught completely by surprise. In 2007 and 2008, temporary shut downs are repeated. Many still believe that the smelter will not close; the downturn is temporary; and the company is bluffing to extract contract concessions. A decision by the government to downgrade the hospital and centralize regional services in Nelson to reduce costs adds a further blow to the region. Jobs decline; unemployment increases; house prices fall; stores close; welfare numbers rise; crime increases; and family violence escalates. The municipal tax base falls leading to a sharp cutback in social services, adding to the feeling of helplessness and defeatism. In 2009, the smelter closes. The provincial government steps in forcing amalgamation in the region. All municipal leaders resign in protest. Population continues to decline as young people leave seeking work. The housing market goes from bad to worse. Many homeowners wanting to leave are trapped as the equity in their homes falls. Others abandon their homes leaving mortgages to the banks. Belated efforts by Federal and Provincial governments serve finally to bring some level of stability. But by 2013, the new region is much poorer with a smaller and older community than before.

The Story – Looking Back from 2013

My name is Frank Rossano. I'm a retired Bank Manager. I came to Fruitvale almost twenty years ago to manage the local branch and took voluntary retirement 6 years ago when the bank closed. We've been through tough times over the past 10 years, but this is still a good place to live. We thought about moving like so many did, but we couldn't afford it with house prices so depressed.

Ten years ago, things weren't going very well in the region but people were doing OK. Skiing, fishing, golfing – it was a good place to live. Jobs were scarce, but the smelter was operating, the regional hospital provided good employment and retirees were happy. The future didn't look rosy but it looked OK. Then Teck Cominco announced they might be closing. It came as a shock.

As I look back I realize all the signs were there. The cyclical downturn in the zinc market was putting pressure on the smelter. In 2001, they cut back to allow more power sales when prices were high. That was good business, but it should have been a warning. A series of layoffs over the next few years weren't helpful but the community managed. The no-hiring policy seemed to be temporary. The union resisted these cuts but management was under pressure to cut costs and restore profitability. It didn't happen.

Then in the late spring of 2006 the company announced a temporary shutdown. Rising power prices made it more profitable to sell power than make zinc. That announcement was accompanied by a bombshell. Teck Cominco was considering a permanent closure of the smelter unless they could significantly reduce costs through labour concessions and tax relief. A number of permanent layoffs were also announced. The union was furious. There had been no consultation or any warning of any of these announcements. There was a widespread belief that the company was using the current economic situation to break the union. And the union was having none of it. Needless to say, this didn't create a positive environment for negotiations. The union was hostile to any changes and unwilling to make any concessions.

Appeals for provincial and federal government support was also unfruitful. Federal and Provincial politicians did not want to get involved or make any commitments. The Feds said the problem was provincial; the Province said they needed federal money. Both passed requests to bureaucrats who agreed to review the requests under existing programs. In short, there was no action.

In the fall of 2006, the smelter reopened. This was met with a sigh of relief among local politicians and business leaders. It seemed to confirm the union's view that the situation was temporary. The zinc market would recover and the smelter would return to profitability. It didn't. The zinc market seemed to have permanently shifted to a new lower price level.

In 2007, the company again announced a temporary shutdown. Further efforts were made to renegotiate the union contract, to seek Federal and Provincial concessions and to obtain tax relief from the city of Trail. The company also announced that it would be deferring its remediation and reclamation plan. This raised feathers with BC Environment and some environmental groups but the provincial government generally was willing to give the company some breathing room, since they were unwilling to provide tax concessions or offer financial support. They were committed to a market philosophy that discouraged government handouts for industry.

When the smelter reopened with even fewer people, the company announced a plan to reduce processing of Alaska concentrate and shift almost entirely to processing residue as a stopgap measure. The company also put the smelter up for sale and announced that if the market did not improve in the next 12 months the smelter would be closed.

This really caused panic and dismay followed by anger and denial. Again many believed the company was calling “wolf”; they didn’t really mean it. But others suddenly realized that permanent closure was a real possibility. Local political leaders organized public meetings, met with company officials, sought audiences with Federal and Provincial ministers and sought every idea on how to prevent closure of the smelter. A number of petitions and public rallies protested the company’s position and demanded provincial and federal government intervention. Threats against company officials added to the rising atmosphere of frustration, anger and helplessness.

None of this was good for business. As jobs declined and unemployment rose, people stopped spending and stores began to close. House prices fell as the number of unsold properties on the market increased. A few young families with large mortgages abandoned their homes and left the region. I know. I was trying to deal with this locally and getting phone calls and emails daily from the regional manager. In the end they closed the bank and I took early retirement.

Crime rates began to rise. It was mostly petty crimes and vandalism but the trend was disturbing. You didn’t feel safe. As the local tax base fell, social services had to be cut back. Welfare rolls increased and incidents of family violence escalated. Social workers were overwhelmed with new cases. Trail was particularly hard hit but Fruitvale, Rossland and the other communities also felt the pinch. Shared regional services became a source of friction. It wasn’t a pretty sight. Municipal politicians and administrators were under severe pressure. They were just trying to cope but public frustration, anger and helplessness was often directed at them because they were the only ones who would listen.

Then the government dropped another bombshell. They decided to consolidate regional health services in Nelson and close parts of the hospital in Trail. They said it would save money. It couldn’t have come at a worse time. The region was devastated. No amount of protest or petitions could change their minds.

In 2009, the final blow was the closure of the smelter almost exactly three years from the original announcement. It was almost an anti-climax. People were too numb to feel much. Yet it was still a shock. Trail was in mourning. People were totally defeated. Wal-Mart and McDonalds both announced they would be closing. A number of politicians resigned and the Provincial Government stepped in with a decision to amalgamate the five communities into a single regional municipality. All remaining local politicians resigned en masse. It was a mess.

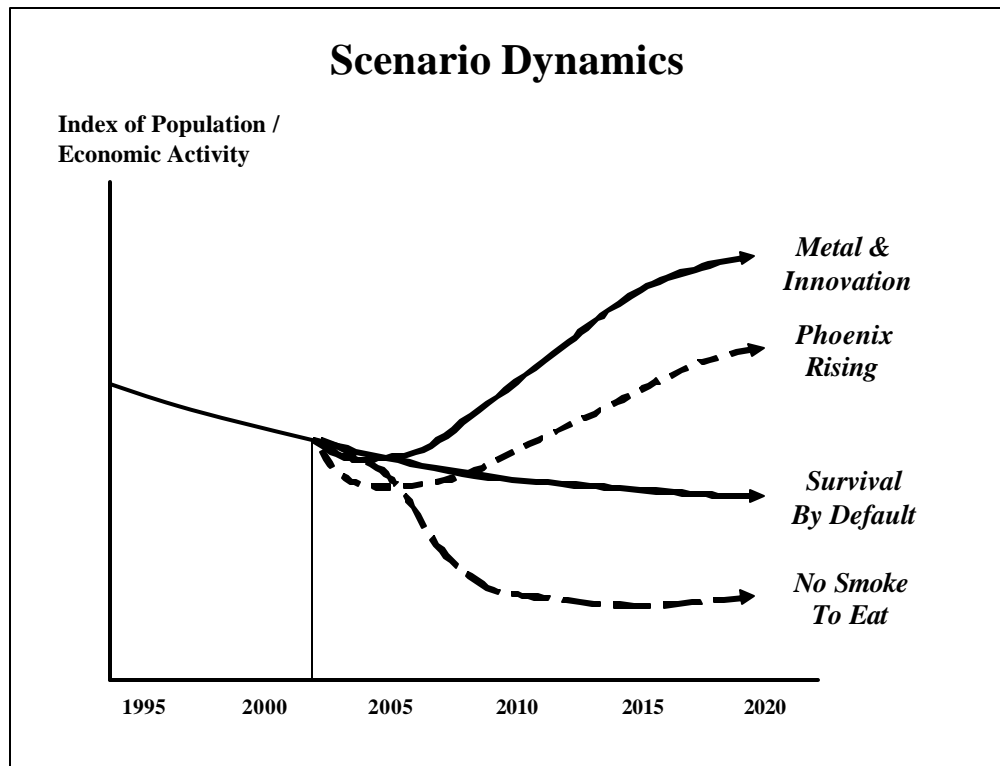
With amalgamation, the Provincial Government finally began to pump money into the region. Job retraining programs, incentives for new business and a major study and promotion of tourism were part of the effort to establish a viable community. It helped, but as the new mayor remarked, it was “too little, too late” for most people.

For those of us who stayed, either by choice or necessity, the regional municipality of South Kootenay has survived, albeit much changed. There has been an up tick in tourism and the forestry industry has rebounded. People find part-time work and survive the rest of the year on unemployment insurance. They have restored some services at the hospital although many of the doctors have left. The skiing, fishing and golfing is just as good as before. It is a cheap place to live and people still want to live here. It is finding work for the young that is difficult. We used to say “where there is smoke there’s money”. It sure is different without any smoke to eat.

Community Scenarios – a Visual Path

Figure 3 is a representation of the scenario dynamics – the path and end state for some measure of prosperity/vitality for the Community. As the scenarios have described, the District of Trail going forward could look vastly different from its current state.

Figure 3



Summary Comparison of Scenarios

Characteristic	Phoenix Rising	Metals and Innovation	Survival by Default	No Smoke To Eat
Main Thrust	New attitudes and initiatives energizes community after smelter closes. Planning and actions taken prior to closure announcement critical	Community and Teck Cominco pride, new mindset and initiatives lead to diversification and growth.	Smelter remains economic core and dominates community; slow erosion of jobs, population & services.	Prolonged effort to save the smelter delays acceptance of new reality. Closure becomes devastating.
TeckCominco	<ul style="list-style-type: none"> - Announces permanent closure - Environmental remediation plan set in motion 	<ul style="list-style-type: none"> - Decline then expanded production / employment - Diversification 	<ul style="list-style-type: none"> - Ongoing operation - Ongoing downsizing - manages to stay competitive 	<ul style="list-style-type: none"> - Closure after range of efforts to extend and maintain operations
Innovation and Adaptability	<ul style="list-style-type: none"> - Leverages metals and processing expertise - Focus on trades development and training - Leadership and commitment 	<ul style="list-style-type: none"> - New mindset – willingness to change & take risks - Diversification - new metals-based businesses, tourism, forestry, training, media center, etc. 	<ul style="list-style-type: none"> - TeckCominco deploys latest processing tech - sense of complacency and risk avoidance - mindset of looking for someone else to do something 	<ul style="list-style-type: none"> - Extended denial of imminent closure of smelter discourages change
Infrastructure	<ul style="list-style-type: none"> - Upgrading of transportation and internet/broadband / communication capacity 	<ul style="list-style-type: none"> - Upgrading of transportation and internet/broadband / communication capacity 	<ul style="list-style-type: none"> - less maintenance - >aging condition 	<ul style="list-style-type: none"> - Little new investment - Hospital downgraded

Characteristic	Phoenix Rising	Metals and Innovation	Survival by Default	No Smoke To Eat
Global Forces	<ul style="list-style-type: none"> - Low int'l zinc prices force closure - Rising value of C\$ exacerbates smelter competitiveness 	<ul style="list-style-type: none"> - Low then higher zinc prices 	<ul style="list-style-type: none"> -Int'l metal prices gradually recover -Power export opportunities into PNW 	<ul style="list-style-type: none"> - Structural shift to lower zinc prices - High power prices
Provincial Pressures	<ul style="list-style-type: none"> - Provincial gov't support critical for transition - PPP's for infrastructure upgrading 	<ul style="list-style-type: none"> - Provincial government supports local community and business initiatives 	<ul style="list-style-type: none"> - Focus on cost efficiencies - Provincial gov't increasingly irrelevant –unresponsive to interior needs 	<ul style="list-style-type: none"> - Focus on cost efficiency - Feds and Prov. unresponsive
Community Governance	<ul style="list-style-type: none"> - Regional governance structure established 	<ul style="list-style-type: none"> - Formal agreements for cooperation in planning & delivery of services - “South Kootenay” regional promotion 	<ul style="list-style-type: none"> - No change - Continued competition within 5 communities - No single voice for the region 	<ul style="list-style-type: none"> - Pressures lead to both cooperation & conflict
Demographics	<ul style="list-style-type: none"> - Younger more diversified population base 	<ul style="list-style-type: none"> - Population growth - Younger & more diverse pop'n 	<ul style="list-style-type: none"> - Continued population loss and aging 	<ul style="list-style-type: none"> -Slow then rapid pop'n decline; eventually stabilization at much lower level of pop'n
Economic Diversification	<ul style="list-style-type: none"> - Tourism expanded - Trades and training -Renewed future with the new Centre for Trades, Technology and Innovation 	<ul style="list-style-type: none"> - Tourism expanded - Trade & training - New metals-based businesses 	<ul style="list-style-type: none"> - Little change - Local economy still dominated by TC and Regional Health facility 	<ul style="list-style-type: none"> - Loss of many local businesses; few new businesses

