



**North Coast Development Region**



The North Coast Development Region (NCDR) comprises the Skeena-Queen Charlotte and Kitimat-Stikine Regional Districts, with a total land area of 111,790 km<sup>2</sup>.

Famous for its coastal and mountain scenery, the NCDR is one of the least-populated regions in British Columbia, accounting for just over 1% of the provincial population. Historically, its economy has been driven by fishing, forestry, mining, and tourism.

Between 2002 and 2007, population in the NCDR declined by 6.9%, down to 59,150.<sup>1</sup> By comparison, the provincial population grew by 6.4% over the same period. Between 2006 and 2007, the Development Region’s population shrank by 0.9%—its smallest rate of decline in the past ten years—while the provincial population increased by 1.4%.

The Kitimat-Stikine Regional District, which encompasses the major centres of Kitimat and Terrace, accounted for two-thirds of the NCDR’s population in 2007, and experienced the smallest rate of population decline over the past five years (-6.5%). Population loss in the Skeena-Queen Charlotte Regional District was slightly higher (-7.7%) during the same period.



<sup>1</sup> Statistics Canada, *Estimates of Population, by Sex and Age Group: Census Divisions and Census Metropolitan Areas - 2001 Census boundaries*, Annual, CANSIM, Table 051-0036.

Overall, 2007 was a mixed year for the NCDR economy. On the negative side, difficulties in the provincial forest sector resulting from the US housing meltdown, dampening prices,<sup>2</sup> the new export tax, and a strong Canadian dollar resulted in mill closures, which impacted workers, logging contractors, and related businesses. On the positive side, a flurry of mineral exploration in the northern portion of the NCDR continued. To put this in perspective: Mineral exploration expenditures in British Columbia increased for the eighth consecutive year in 2007, reaching \$416 million (up 57% from 2006); Northwest BC, which includes the NCDR, saw approximately \$170 million in exploration expenditures, or 41% of the provincial total. Several new mining projects are now in the proposal or early-development phase, as are a number of power-generation projects scattered throughout the NCDR, and several massive pipelines designed to transport liquid natural gas and oil to and from the Port of Kitimat.

Strong growth in shipments of coal and grain and a new commodity—wood pellets from the Nechako—boosted the volume of goods shipped through the Port of Prince Rupert in 2007. Prince Rupert’s new inter-modal port, which opened up the trade corridor between Asia and North America, began operations in the fall of last year. Cruise ship passenger volume was up 56% over 2006, a record year with nearly 100,000 cruise ship passengers calling into the Port of Prince Rupert.<sup>3</sup>

## LIVE Indicators

### Educational Achievement

Educational achievement has a significant effect on labour force productivity and, in the longer-term, purchasing power. Statistics Canada aggregates labour force educational attainment data for the North Coast and Nechako Development Regions. Together, these two Development Regions comprise **Northwest British Columbia**.<sup>4</sup>

Between 2002 and 2007, the percentage of the labour force in Northwest BC (age 25-54) with a post-secondary certificate/diploma or a bachelor’s degree declined from 47.7% to 42.8%. This marked a 4.9 percentage point *drop* in attainment over the past five years, compared to a gain of 3.7 percentage points at the provincial level.

**Table 5-1: Percent of Labour Force Age 25-54 with a Post-Secondary Certificate/ Diploma or Bachelor’s Degree, Northwest British Columbia, 2002 to 2007<sup>5</sup>**

Region	2002	2003	2004	2005	2006	2007	Percentage Point Change	
							5-Year 2002-07	1-Year 2006-07
Northwest BC	47.7%	49.4%	46.4%	43.1%	49.0%	42.8%	-4.9 ppt	-6.2 ppt
<b>British Columbia</b>	<b>50.2%</b>	<b>51.0%</b>	<b>52.0%</b>	<b>52.2%</b>	<b>53.1%</b>	<b>53.9%</b>	<b>+3.7 ppt</b>	<b>+0.8 ppt</b>

Source: Statistics Canada, *Labour Force Survey*, Custom Table



<sup>2</sup> Lumber prices declined by about 12% in 2007. RBC Economics and Research, *Commodity Price Monitor*, March 2008.

<sup>3</sup> Prince Rupert Port Authority, *Prince Rupert Port Cargo Traffic up 37 Percent in 2007*, January 16, 2008.

<sup>4</sup> The Bulkley-Nechako and Stikine Regional Districts are situated in the Nechako Development Region, and the Kitimat-Stikine and Skeena-Queen Charlotte Regional Districts comprise the entire North Coast Development Region.

<sup>5</sup> Data for the labour force with certification *above the bachelor degree level* has been suppressed for Northwest BC for all years by Statistics Canada, as it falls below 1,500 individuals. Hence, this level of education has been excluded in the calculation of this indicator for Northwest BC.

Most of the deterioration in Northwest BC's educational attainment occurred at the post-secondary certificate or diploma level; the percentage of the labour force with this kind of designation declined by 5.4 percentage points over the past five years. Conversely, the share of the labour force with a bachelor's degree grew by 0.5 percentage points. By contrast, British Columbia as a whole experienced a smaller decline at the certificate or diploma level (-0.2 percentage points), and a larger increase in the percentage of the labour force with a bachelor's degree (3.9 percentage points). Examining employment dynamics over the past five years yields several clues as to why educational attainment fell in Northwest BC. Between 2002 and 2007, industries that generally demand post-secondary credentials—health care and social assistance, educational services, and public administration—accounted for the majority of the region's job loss.<sup>6</sup>

The most recent census data provides a snapshot of educational attainment by Regional District within Northwest BC. In 2006, educational attainment of the population age 25 to 64 above the certificate/diploma level was similar in the Bulkley-Nechako and Skeena-Queen Charlotte Regional Districts, at 46.5% and 47.6% respectively. Attainment in the Kitimat-Stikine Regional District was slightly higher, at 49.6%, but residents of the sparsely-populated Stikine Regional District actually had the highest levels of education in Northwest BC, at 62%—which was comparable to the provincial average.<sup>7</sup>

## Dependency on the Social Safety Net

Between 2005 and 2006, social safety net dependency in the NCDR increased only minimally, from 7.1% to 7.2%. Although regional employment fell in 2007,<sup>8</sup> most of the job losses occurred in the last quarter of the year.<sup>9</sup> Seasonal employment was robust in many parts of the NCDR, driven by increased mineral exploration and tourism. Social safety net dependence is measured in September each year; accordingly, the need for the social safety net declined from 7.1% to 6.7% in 2007. After September 2007, however, the number of unemployed individuals climbed considerably in the NCDR.<sup>10</sup> Social safety net dependency did not change for British Columbia as a whole between 2006 and 2007, with dependency rates settling at 3.3%.

**Table 5-2: Basic Income Assistance Recipients & EI Beneficiaries as a Percent of the Population Age 19-64, North Coast Development Region, 2005 to 2007<sup>11</sup>**

Region	2005	2006	2007
Skeena-Queen Charlotte	7.4	8.2	7.6
Kitimat-Stikine	6.9	6.6	6.1
<b>Development Region Total</b>	<b>7.1</b>	<b>7.2</b>	<b>6.7</b>
<b>British Columbia</b>	<b>3.7</b>	<b>3.3</b>	<b>3.3</b>

Source: BC Stats. Note: BC Stats is currently revising these numbers.



6 In total, 3,400 jobs were lost over this period, representing a 7.6% drop in employment. Statistics Canada, *Historical Labour Force Survey*, Stats Canada, CD1, Table 33AN.  
7 Statistics Canada, *Census 2006 Community Profiles*.  
8 In Northwest British Columbia, which includes the North Coast and Nechako Development Regions.  
9 Statistics Canada, *Historical Labour Force Survey*, CD1, Table 33MN.  
10 From 3,200 in September to 4,100 in December. Source: Statistics Canada, *Historical Labour Force Survey*, CD1, Table 30MN.  
11 Rates are as of September for each year. These figures include only a subset of those receiving Income Assistance. INCLUDED are those on Temporary Assistance. EXCLUDED are those on Continuous Assistance (Disabled or with persistent multiple barriers to employment), Children in the Home of a Relative, and OAS/Seniors, and aboriginal people living on reserve.

Social safety net dependency declined in both of the NCDR’s Regional Districts between 2006 and 2007. The Skeena-Queen Charlotte Regional District continued to have the highest dependency rate, at more than double the provincial average. The share of the adult population dependent on the social safety net in both the Skeena-Queen Charlotte and the Kitimat-Stikine Regional Districts continued to remain the *highest* in British Columbia between 2006 and 2007. The lowest rates of dependency during this period were recorded in the Mainland/Southwest (3%) and Kootenay and Vancouver Island/Coast (each at 3.4%) Development Regions.

## Pre-Tax Income

This analysis uses real pre-tax income per taxfiler (real income) as a metric for comparing purchasing power between the Development Regions.<sup>12</sup> While the most recent regional income data is only available to 2005, it does give us a picture of how income levels have changed in the Development Regions in the past, and how they compare. By looking at existing economic conditions, we can make an educated guess about how real income has changed since 2005.

Between 2002 and 2005, real income in the North Coast rose by 0.5%, reaching an average of \$28,286 per taxfiler. This growth rate was considerably lower than that of the province as a whole. Over this three-year time period, a 1.3% gain in real income was realized in the Kitimat-Stikine Regional District; taxfilers in the Skeena-Queen Charlotte Regional District, however, saw a decline of 1.1%. By 2005, average real income per taxfiler in the NCDR was as follows:

- Kitimat-Stikine Regional District—\$29,336
- Skeena-Queen Charlotte Regional District—\$26,243

Compared with the other Development Regions, the NCDR ranked last in terms of real income growth and average income between 2002 and 2005. The Northeast Development Region led the rest of the province in real income growth, with a three-year growth rate of 15.6% (reaching \$38,368), while the Thompson-Okanagan ranked second with a growth rate of 8.3% (reaching \$30,842), and the Nechako ranked third with a growth rate of 7.4% (reaching \$31,073).

**Table 5-3: Real Pre-Tax Income per Taxfiler (2002\$), North Coast Development Region, 2002 to 2005**

Region	2002	2003	2004	2005	Percentage Change	
					3-Year 2002-05	1-Year 2004-05
North Coast DR	\$28,136	\$27,892	\$28,121	\$28,286	+0.5%	+0.6%
<b>British Columbia</b>	<b>\$31,292</b>	<b>\$31,400</b>	<b>\$32,323</b>	<b>\$33,430</b>	<b>+6.8%</b>	<b>+3.4%</b>

Source: BC Stats, *British Columbia Neighbourhood Income Demographics*

Both of the NCDR’s Regional Districts saw gains in *nominal* pre-tax income per taxfiler between 2002 and 2005,<sup>13</sup> which means that income growth outstripped population growth. While these results were encouraging, real income growth per taxfiler barely kept pace with inflation.

12 Pre-tax income is deflated by the Consumer Price Index, with a base year of 2002. In previous editions, we have used real income per capita an indicator; however, the recent release of census population figures has shown that, in some cases, population estimates made by statistical agencies between census years significantly diverge from census counts. Therefore, we have used the number of taxfilers as the denominator in this edition of the report, as it is more accurate. Data source: BC Stats, *British Columbia Neighbourhood Income Demographics*. See the glossary at the end of this report for definitions of “pre-tax income” and “taxfiler.”

13 Income not allowing for inflationary effects.

In the province as a whole, this three-year period was one of steady economic improvement, as output and employment levels in the goods-producing sector increased—particularly in the construction industry. This was also a time of declining unemployment rates and less reliance on government income transfers, as more economic activity absorbed unemployed workers. However, the rate of job creation in the NCDR during this period was considerably lower than that of the province as a whole. Logging and milling continued to provide stable employment, but the fishing industry was challenged with reductions in the harvest rates of sockeye salmon and a considerable rationalization in manufacturing plants.

Between 2005 and 2007, a 10% reduction in jobs<sup>14</sup> drove individuals out of the region to pursue opportunities elsewhere. This out-migration, which reduced the size of the NCDR labour force, also allowed the unemployment rate to remain fairly stable, and dependence on transfer payments to diminish. Nevertheless, it is anticipated that real income growth in the NCDR in 2006 and 2007 was below the provincial growth rate.

## WORK Indicators

### Job Creation

Statistics Canada aggregates employment data for the North Coast and Nechako Development Regions (**Northwest British Columbia**). Census 2006 labour force data shows that the bulk of labour market activity in this region was shared fairly equally between the Bulkley-Nechako (40.5%) and Kitimat-Stikine Regional Districts (37.3%). The Skeena-Queen Charlotte Regional District contributed to approximately 20% of the labour market activity.

The labour market in Northwest BC faltered in 2007 for the second straight year, in marked contrast to healthy job creation in the province as a whole. Between 2006 and 2007, the economy of the region lost 1,600 jobs, with approximately three quarters of these losses occurring in the service sector. The rate of overall job decline in Northwest BC, however, was slower than in the previous year—a 3.7% decline compared to 5.7% in 2006; nonetheless, in 2007, employment reached its lowest level of the past decade.

The **services-producing sector** of Northwest BC spans many occupations and accounted for 28,000 jobs in 2007. Between 2002 and 2007, this sector experienced a loss of 3,100 jobs, with 1,200 of these losses occurring in the past year alone. The following industries posted the biggest losses in 2007:

- Educational Services (1,500 jobs): This tremendous drop from 2006 (-37%) is difficult to explain.<sup>15</sup> While the seven school districts within Northwest BC experienced a decline in enrolment last year and a corresponding loss of educator and administrator jobs, they comprised only a small portion of total job losses reported in this industry.<sup>16</sup>
- Transportation and Warehousing (1,100 jobs): Monthly employment data shows that job loss in this industry occurred throughout 2007. Although shipments through the Prince Rupert Terminal increased by 37%<sup>17</sup> and kept parts of the transportation and warehousing industry engaged, negative developments in the forest industry affected transportation and warehousing adversely throughout the latter half of the year, with some mill closures occurring by the end of 2007.<sup>18</sup>



<sup>14</sup> Applies to Northwest British Columbia, which includes the Nechako and North Coast Development Regions.

<sup>15</sup> The reported employment drop may be an anomaly as a result of the sampling methodology used to estimate Labour Force Survey data.

<sup>16</sup> Educator and administration job loss in the seven school districts within Northwest BC totalled 39 between 2006/07 and 2007/08. Source: Ministry of Education, *Teacher Statistics*, January 2008.

<sup>17</sup> Prince Rupert Port Authority, *Prince Rupert Port Cargo Traffic up 37 Percent in 2007*, January 16, 2008.

<sup>18</sup> Central Interior Logging Association, *FACTSFAX*, Issue #434, November 5, 2007.

- Health Care and Social Assistance (700 jobs): Job losses in this industry were likely related to continuing population declines in both the Nechako and North Coast Development Regions.

**Table 5-4: Employment, Northwest British Columbia, 2002 to 2007<sup>19 20</sup>**

	2002	2003	2004	2005	2006	2007	Job Creation (000)	
							5-Year 2002-07	1-Year 2006-07
<b>TOTAL EMPLOYMENT (000)</b>	<b>44.9</b>	<b>44.8</b>	<b>42.4</b>	<b>45.7</b>	<b>43.1</b>	<b>41.5</b>	<b>-3.4</b>	<b>-1.6</b>
<b>Goods-Producing Sector (000)</b>	<b>13.8</b>	<b>14.4</b>	<b>13.9</b>	<b>15.0</b>	<b>13.9</b>	<b>13.6</b>	<b>-0.2</b>	<b>-0.3</b>
Agriculture	-	-	-	2.5	-	-	-	-
Forestry, fishing, mining, oil and gas	3.7	4.0	2.9	3.0	3.1	2.8	-0.9	-0.3
Utilities	-	-	-	-	-	-	-	-
Construction	2.6	2.2	1.9	1.8	3.0	2.2	-0.4	-0.8
Manufacturing	7.1	7.2	8.4	7.6	6.3	7.1	0.0	0.8
<b>Services-Producing Sector (000)</b>	<b>31.1</b>	<b>30.4</b>	<b>28.5</b>	<b>30.7</b>	<b>29.2</b>	<b>28.0</b>	<b>-3.1</b>	<b>-1.2</b>
Trade	6.0	5.9	4.7	7.7	5.8	7.0	1.0	1.2
Transportation & warehousing	3.0	2.7	2.2	3.2	4.1	3.0	0.0	-1.1
Finance, insurance, real estate & leasing	-	-	1.7	1.7	-	-	-	-
Professional, scientific & technical services	-	1.5	1.5	1.5	1.9	1.5	-	-0.4
Business, building & other support services	-	-	1.5	-	-	1.7	-	-
Educational services	3.5	4.2	3.3	2.9	4.1	2.6	-0.9	-1.5
Health care & social assistance	5.0	4.9	4.6	3.9	4.4	3.7	-1.3	-0.7
Information, culture & recreation	-	-	1.5	1.7	-	-	-	-
Accommodation & food services	3.6	3.1	3.4	3.0	2.4	3.0	-0.6	0.6
Other services	1.7	1.9	1.8	2.3	-	-	-	-
Public administration	3.0	2.6	2.3	1.5	-	2.1	-0.9	-

Source: Statistics Canada, *Labour Force Survey Historical Review*

Despite overall job loss in the services-producing sector in 2007, employment gains occurred in the trade (1,200 jobs) and accommodation and food services (600 jobs) industries, both of which rebounded in 2007 in response to increased mineral exploration activity in Northwest BC,<sup>21</sup> the restoration of a full-capacity permanent ferry service for North Coast Development Region communities,<sup>22</sup> and a tremendous increase in cruise ship passenger volume through the Port of Prince Rupert.<sup>23</sup>

The most recent statistics show that room revenues rose dramatically in both the Nechako and North Coast Development Regions during 2007 (by 19% and 29% respectively).<sup>24</sup>



19 Industries with 0.0 are estimated to have fewer than 1,500 employed at that particular point in time, thus the numbers presented in the table may not add up to total sector figures, and job creation statistics can not be calculated.

20 In the smaller Development Regions, the sample size for the Statistics Canada Labour Force Survey is small. Moreover, the survey sample is rotated from year to year, which can affect estimates of the labour force size and structure. As a result, employment estimates in some sectors are not necessarily robust and, in a few cases, we have been unable to reconcile the 2006-2007 job creation numbers with what is actually happening in that labour market. These cases are cited where they occur.

21 \$170.2 million and 144 projects in 2007—comprised 40.9% of BC's exploration expenditures. Source: Ministry of Energy, Mines & Petroleum Resources, *British Columbia Mines & Mineral Exploration Overview 2007*.

22 It is likely that the sinking of the Queen of the North Ferry in March of 2006 adversely impacted employment in the accommodation and food services industries in 2006, particularly since the replacement ferry was not in place until peak season, and its capacity was smaller.

23 Cruise ship passenger volume was up 56% over 2006, a record year with nearly 100,000 cruise ship passengers calling into Prince Rupert. Prince Rupert Port Authority, *Prince Rupert Port Cargo Traffic up 37 Percent in 2007*, January 16, 2008.

24 In comparison, room revenue was up for the province as a whole by 8% in 2007. Source: BC Stats, *Tourism Sector Monitor – Data Tables*, March 2008.

Northwest BC's **goods-producing sector** declined for the second straight year in 2007, pulling employment in the sector down to its lowest level of the past decade. Between 2002 and 2007, a net of loss of 200 jobs occurred in goods-producing industries.

Manufacturing was the only industry in the goods-producing sector to post a gain in 2007 (800 jobs). Monthly employment data provided a clearer picture of the employment dynamics and corroborated industry findings. Employment climbed in the region through the summer of 2007, reaching a high of 8,700 in July and August. By the end of the year, shift reductions and mill closures in both the Nechako and North Coast Development Regions reduced employment in this industry dramatically, down to 5,400 jobs by December<sup>25</sup>—far below industry employment levels in the past ten years.

Statistics Canada data shows that the construction industry in Northwest BC lost workers in 2007 (800 jobs). This is due partly to the fact that late in the year the Galore Creek Project came to a halt, and a major phase of the Prince Rupert port development wound down. Nevertheless, in our view this does not entirely account for such a large estimate of job losses in the Northwest, and it may be that the estimate is overstated.<sup>26</sup> The forestry, fishing, and mining industry also posted a decline in 2007 (300 jobs). The most recent data for British Columbia as a whole shows that exports for all three commodities declined in 2007, by 18.4%, 8.4%, and 4.9% respectively.<sup>27</sup>

## Unemployment Rate

The unemployment rate in British Columbia as a whole declined for the fifth consecutive year in 2007. In Northwest BC, however, the unemployment rate actually *rose* to 8%, a 1.3 percentage point *increase* from the previous year. Given persistent job losses in Northwest BC over the past two years, an increase in the unemployment rate was no surprise. At nearly double the provincial average, this Development Region had the highest rate of unemployment in the province in 2007; that said, this rate still represented a 4.6 percentage point reduction from 2002.

Poor labour market conditions over the past five years led individuals to seek employment opportunities in other regions or provinces, which reduced the participation rate<sup>28</sup> from 71.5% in 2002 to 68.2% in 2007. Interestingly, this was still higher than the provincial participation rate, which rose steadily during the same period (from 65.1% to 66.3%).<sup>29</sup>

**Table 5-5: Unemployment Rate (%), Northwest British Columbia, 2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Northwest BC	12.6%	11.3%	11.6%	8.1%	6.7%	8.0%	-4.6 ppt	+1.3 ppt
<b>British Columbia</b>	<b>8.5%</b>	<b>8.0%</b>	<b>7.2%</b>	<b>5.9%</b>	<b>4.8%</b>	<b>4.2%</b>	<b>-4.3 ppt</b>	<b>-0.6 ppt</b>

Source: Statistics Canada



<sup>25</sup> Statistics Canada, *Historical Labour Force Survey*, CD1, Table 33MN.

<sup>26</sup> Each year, the Stats Can Labour Force Survey department conducts a rotating survey of industries at the Development Region level in order to produce employment estimates. This can result in occasional error in areas with smaller populations like Northwest BC.

<sup>27</sup> BC Stats, *Exports (BC Origin)—1998-2007*, March 2008.

<sup>28</sup> The proportion of the working-age population who are working or seeking work.

<sup>29</sup> Statistics Canada, *Historical Labour Force Survey*, CD1, Table 30AN.

What's happening with young workers? Table 5-6 shows that the unemployment rate for workers age 19 to 24 in Northwest BC was on a similar trend to that of the entire working age population. In the past year, the youth unemployment rate *increased* by 1.2 percentage points, but it was still considerably lower (5.8 percentage points) than the rate in 2002. The unemployment rate for youth in this Development Region continued to be significantly higher than that of the general population (12.5% and 8% respectively in 2007). Experienced workers were in greater demand than youth who had not yet had the opportunity to develop their skills or complete their education.

Detailed *Labour Force Survey* data reveals that the youth labour force in the North Coast Development Region shrunk by 40% between 2002 and 2007—conversely, the youth labour force in the Nechako increased by 42% over the same period.<sup>30</sup>

**Table 5-6: Youth (19 to 24 years) Unemployment Rate, Northwest British Columbia, 2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Point (ppt) Change	
							5-Year 2002-07	1-Year 2006-07
Nechako DR	*17.8%	*20.8%	*22.7%	*11.1%	*11.3%	*12.5%	-5.8 ppt	+1.2 ppt
<b>British Columbia</b>	<b>12.2%</b>	<b>11.4%</b>	<b>10.5%</b>	<b>8.5%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>-6.2 ppt</b>	<b>-0.3 ppt</b>

Source: Statistics Canada, *Labour Force Survey*, Custom Table

\* Unemployment rate calculated by author for these years.

## INVEST Indicators

### Business and Investment Activity

Although 2007 showed some early signs of an economic slowdown, with reduced manufacturing shipments and exports in British Columbia, investment growth in both the province and the North Coast remained constant.

In the last quarter of December 2007, virtually all major project development in the North Coast, whether proposed or underway, was private sector investment in mining, utilities, or transportation and warehousing. Other private sector investment included two residential/commercial developments and a manufacturing project. Altogether, total estimated capital costs for the 37 projects in the NCDR as of December 2007 were \$25 billion, up 52% from 2006.<sup>31</sup>

Several new projects, valued at approximately \$93 million, *commenced construction* in the NCDR in 2007: the Kitsault River and Homestake Creek Hydro Project near Stewart (\$21 million), and the Tsimshian Peninsula Project/Tuck Inlet Road in Prince Rupert (\$72 million). Construction on the Galore Creek Project (copper/gold mine) also started in late spring 2007, with approximately 700 people employed to build the access road and construction camps; by November of last year, construction was suspended by the operating partners due to escalating costs. A comprehensive review is currently underway to evaluate alternative development strategies.<sup>32</sup>

<sup>30</sup> Statistics Canada, *Historical Labour Force Survey*, Custom Table, 2008.

<sup>31</sup> BC Ministry of Economic Development, *BC Major Projects Inventory*, December 2007.

<sup>32</sup> Ministry of Energy, Mines & Petroleum Resources, *British Columbia Mines & Mineral Exploration Overview 2007*.

The suspension of the Galore Creek Project also resulted in the provincial government cancelling the planned \$400-million Northwest Transmission Line along Highway 37. The power line project was to be funded with a \$158-million contribution from the private sector, but the suspension of the Galore Creek Project made this funding unavailable.<sup>33</sup>

Estimated capital costs for all projects *proposed* as of December 2007 totalled \$13.7 billion. The largest projects were: the Spirit Pipeline-TMX North Project (\$2.5 billion); the Alcan Aluminum Smelter Expansion (\$2 billion) in Kitimat; and the NaiKun Wind Power Project near Masset on the Queen Charlotte Islands. The remaining developments included: transportation (\$3.4 billion); utility (\$2.3 billion); and mining (\$1.0 billion) projects. Over half of proposed projects (\$7.3 billion) are slated to begin construction in 2008.

In summary, the NCDR enjoyed another year of significant capital inflow in 2007. A strong investment climate fuelled by new opportunities related to mining, the generation of hydroelectric and wind power, and transportation, coupled with attractive financing opportunities, drew in more investment dollars.

### Incorporations and Bankruptcies

Business incorporations showed strong growth in 2007, marking another year of improved investor and entrepreneurial activity in the North Coast Development Region. Between 2006 and 2007, the number of incorporations rose to 106, a 17.8% increase and the highest level of annual incorporations of the past decade. This was significantly higher than the provincial growth rate of 2.3%.

Business bankruptcy data confirms that 2007 was an excellent year. The total number of bankruptcies in the NCDR declined by 66.7% between 2006 and 2007, down to three—again, the lowest level in at least a decade.

**Table 5-7: Business Incorporations and Bankruptcies, North Coast Development Region, 2002 to 2007**

	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
Business Incorporations	70	77	70	88	90	106	+51.4%	+17.8%
Business Bankruptcies <sup>34</sup>	7	20	13	15	9	3	-57.1%	-66.7%

Source: BC Stats

The steadily rising trend in incorporations signified strong ongoing investor and entrepreneurial confidence, while bankruptcies—the acid test of success—show that there was every reason to be optimistic. Both results point to an increasingly attractive climate for both investors and entrepreneurs in the North Coast Development Region.



<sup>33</sup> Scott Simpson, “Collapse of Galore mine project leaves transmission line in limbo; Without private sector investment, B.C. won’t fund electricity link,” Vancouver Sun, November 28, 2007.

<sup>34</sup> Business bankruptcy data represents the cities of Kitimat, Prince Rupert, and Terrace.

## Business Establishments

Despite improvements in its investment climate, the NCDR experienced yet another decline in the number of business establishments between 2006 and 2007. During that time, the total number of establishments fell by 8.5%, down to 3,318; by comparison, the province as a whole experienced a growth rate of 2.5%. Between 2002 and 2007, the total number of business establishments in the region declined by 16%.

**Table 5-8: Number of Business Establishments – All Sizes, North Coast Development Region, 2002 to 2007**

Region	2002	2003	2004	2005	2006	2007	Percentage Change	
							5-Year 2002-07	1-Year 2006-07
North Coast DR	3,949	3,949	3,909	3,725	3,627	3,318	-16.0%	-8.5%
<b>British Columbia</b>	<b>315,277</b>	<b>332,418</b>	<b>346,316</b>	<b>345,227</b>	<b>350,444</b>	<b>359,314</b>	<b>+14.0%</b>	<b>+2.5%</b>

Source: BC Stats and Statistics Canada (2005, 2006, and 2007)

Companies with fewer than 20 employees accounted for virtually all of the reduction in the number of establishments between 2006 and 2007; by contrast, the number of large establishments (50+ employees) increased slightly. Between 2002 and 2007, the number of businesses with fewer than 20 employees dropped by more than 600. An unsettled wood products sector was undoubtedly the major contributor to these falling numbers.<sup>35</sup> Most regions of the province saw declines in secondary-manufacturing small-business establishments between 2001 and 2006, but the North Coast and Nechako Development Regions suffered the highest rates of decline.<sup>36</sup>

## Conclusions

With new economic opportunities being generated, the North Coast Development Region managed to weather the storm in the forest industry in 2007. Nevertheless, mill closures hurt some of the communities highly dependent on the forest industry. Our indicators showed that the NCDR remained a good place for some residents in 2007; however, in terms of it being a good place in which to live and work, some concerns emerged. The decline in the educational attainment of the labour force over the past five years reflected continued out-migration and a loss of skilled and qualified workers in the regional labour market. While social safety net dependency improved, it was still double that of the province as a whole in 2007. Gains in real disposable income over one and three-year periods were minimal—barely keeping pace with inflation—and average income continued to remain the lowest in the province.

In addition, work indicators did not produce the same solid results as in the rest of British Columbia last year. Job creation faltered for the second year running, with significant losses reported in educational services, transportation and warehousing, construction, and health care and social assistance; however, the trade and accommodations and food services industries saw employment gains. While the net result was an increase in the unemployment rate, it was still 4.6 percentage points lower than the unemployment rate in 2002.



<sup>35</sup> Ministry of Small Business and Revenue, British Columbia: *Small Business Profile 2006*.

<sup>36</sup> Ministry of Small Business and Revenue, British Columbia: *Small Business Profile 2007*, October 2007.

Conversely, the NCDR's investment indicators were encouraging, reflecting a myriad of new opportunities and future potential. Business incorporations grew dramatically during the past five years, with no abatement in growth in 2007, which signified strong investor and entrepreneurial confidence. The number of business bankruptcies declined significantly for the second year in a row in 2007, but business establishments continued to close their doors, reflecting the troubled forest industry and continued out-migration. Proposed major project activity, however, is substantial, accounting for nearly one fifth of new developments within the province. In all likelihood these investments will generate new jobs, and opportunities for new and existing businesses.

## Glossary of Definitions

- **Business establishments:** Production entity or group of entities that produces goods or services, does not cross provincial boundaries, and provides data on value of output and input costs to the government.
- **Employment income:** Includes wages and salaries, commissions from employment, training allowances, tips and gratuities, and all income from self-employment (business, professional, farming, fishing income, and commissions).
- **Job creation:** Change in number of employed individuals between two given years.
- **Pre-tax income:** Comprised of labour force income (employment income, wages and salaries, income from self-employment, and employment insurance benefits), pension income, old age security, CPP/QPP, superannuation, family allowance income, interest and other investment income, limited partnership income, rental income, other income (such as alimony and income for non-filing spouses), RRSP income, non-taxable income, GST credit, child tax credit, workers' compensation payments, social assistance payments, and guaranteed income supplements. Monies not included in pre-tax income: veterans' disability and dependent pensioners' payments, war veterans' allowances, lottery winnings, and capital gains.
- **Social safety net:** Transfers to unemployed individuals and families from the federal and provincial governments under the auspices of the Income Assistance and Employment Insurance programs.
- **Taxfilers:** Those individuals who have filed a tax return for the reference year, and were alive at the end of the year. Non-filing spouses and non-filing children are not included.
- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.