

## Kootenay Development Region

Kootenay-Boundary • Central Kootenay • East Kootenay



Aside from the Mainland/Southwest, the Kootenay Development Region (KDR) has the smallest land mass of any development region in BC. It encompasses the Kootenay-Boundary, Central Kootenay, and East Kootenay Regional Districts, with a total land area of 57,787 km<sup>2</sup>. This development region accounts for just less than 4% of the provincial population.

The main economic activities in the KDR include mining and mineral exploration, smelting, forestry, hydroelectric power generation, tourism and agriculture. With an abundance of forest and mineral resources, the KDR derives considerable income from these two sectors in particular. In the East Kootenay Regional District, coal, pulp, and lumber are the key products, while in the Kootenay-Boundary Regional District, zinc and lead smelting and refining, and lumber and wood products manufacturing are the major activities. In the Central Kootenay Regional District, pulp and lumber manufacturing prevail. Throughout the entire development region, the rivers that flow through the valleys generate a substantial amount of electricity, supplying the province and the US. Tourism activity in the KDR is year-round, with the winter months, drawing tourists are for skiing and snowmobiling, and in the summer outdoor activities such as hiking, fishing, and golf. Agricultural activity in the East Kootenay Regional District is almost exclusively confined to cattle ranching, as soils, climate and topography restrict other types of activity.<sup>1</sup> While cattle ranching is the leading agricultural activity in the Central Kootenay and Kootenay-Boundary Regional Districts, the fertile valley bottoms of these regions also yield a diverse array of fruit, vegetables and crops.



<sup>1</sup> BC Statistics, BC Ministry of Labour and Citizen's Services, *BC Regional Index*. <http://www.regionalindex.gov.bc.ca/>

The population of the KDR grew by 2.4% between 2000 and 2005 to reach 155,217.<sup>2</sup> In contrast, BC's population grew by 5.3% during the same period. The KDR's population, particularly in the Kootenay-Boundary Regional District, comprises a higher-than-average share of retirees – only two other development regions in the province, the Thompson/Okanagan and the Vancouver Island/Coast, exceed the Kootenays in this proportion.<sup>3</sup> Over the long term, BC Statistics forecasts the population of the KDR will increase at a slower annual rate of 0.2%, reaching 161,403 by 2031.<sup>4</sup>

## income

Evaluating income growth allows comparisons of economic growth within the province's region. The only consistent regional income indicator available for BC is pre-tax income,<sup>5</sup> with the most current data being 2003.<sup>6</sup> Regional income per capita<sup>7</sup> for each development region has been deflated with the Consumer Price Index to net out inflation effects and to allow a comparison of *real* changes with other regions. As Table 1 indicates, real per capita income for the province as a whole declined by 0.7% between 2000 and 2003. These results reflect the fact that the provincial average captures real per capita losses in the Mainland/Southwest, Kootenay, and North Coast Development Regions.

On a per capita basis, real pre-tax income in the KDR declined by 3.2% between 2000 and 2003. During this period, residents of the KDR consistently realized lower per capita incomes than the average British Columbian. By 2003, the gap in real pre-tax income per capita between the region and the rest of the province had widened to \$2,775.

Table 1: Real Pre-Tax Income per Capita (2000\$), Kootenay Development Region, 2000 to 2003

Region	2000	2001	2002	2003	Percentage Change	
					3-Year 2000-03	1-Year 2002-03
Kootenay DR	\$19,380	\$19,290	\$19,049	\$18,766	-3.2%	-1.5%
<b>British Columbia</b>	<b>\$21,686</b>	<b>\$21,373</b>	<b>\$21,378</b>	<b>\$21,541</b>	<b>-0.7%</b>	<b>+0.8%</b>

Source: British Columbia Neighbourhood Income Demographics, BC Statistics.

What explains this dip in real per capita income between 2000 and 2003? First it appears that total pre-tax income for the region as a whole declined, while the population increased. Employment opportunities diminished, and the unemployment rate increased from 10.0% to 11.5%.<sup>8</sup> This was a period of dampened economic performance in the region and in the province as a whole. In total, the region lost approximately 3,400 jobs – all in the services-producing sector.

Those that remained employed were unable to maintain their existing wage level. Real average employment income<sup>9</sup> per taxfiler in the KDR dropped from \$27,425 to \$26,486, or by -3.4%.<sup>10</sup>



<sup>2</sup> BC Statistics, BC Ministry of Labour and Citizen's Services, *BC Regional District and Municipal Population Estimates, 1996-2005*, March 2006.

<sup>3</sup> BC Statistics, Ministry of Labour and Citizens' Services, *Population Estimates (1986-2005)*, May 2005.

<sup>4</sup> Ibid.

<sup>5</sup> Pre-tax income is comprised of labour force income (employment income, wages and salaries, income from self-employment, employment insurance benefits), pension income, old age security, CPP/QPP, superannuation, family allowance income, interest & other investment income, limited partnership income, rental income, other income (e.g. alimony, 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 are: veterans' disability and dependent pensioners' payments, war veterans' allowances, lottery winnings and capital gains.

<sup>6</sup> Our annual review of the economic and social climate of British Columbia's Development Regions is based on the most up to date information available from Statistics Canada, BC Statistics, and other credible public sources of data. Nevertheless, delayed reporting by our statistical sources means that a few one or two-year lags exist for some of the regional indicators, such as pre-tax income. This presents a challenge in working with BC regional data, but does not take away from the veracity of the results.

<sup>7</sup> Per capita means per person. *Total* pre-tax income is divided by the population size to estimate this figure.

<sup>8</sup> BC Statistics, BC Ministry of Labour and Citizen's Services, *Labour Force Activity by B.C. Development Region - Annual Averages*, January 25, 2006.

<sup>9</sup> 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).

<sup>10</sup> **Real pre-tax income per capita** is the sum of all income – labour force, pension, interest & other investment, limited partnership, rental, RRSP, and non-taxable income – divided by the population and adjusted for inflation. Real average employment income per taxfiler is the just the sum of wages and salaries, and self-employment income – divided by the number of individuals who filed a personal income tax return, and adjusted for inflation.

Employment income fell by 1.3% for the province as a whole between 2000 and 2003.<sup>11</sup> While there is disparity in employment earnings within the development region,<sup>12</sup> it is the KDR's earnings inequality with the average British Columbian that is more worrisome. By 2003, the average worker in the KDR earned almost \$4,500 less than the average British Columbian. However, the cost of living in the region is relatively low. Census 2001 data shows the share of households paying 30% or more of their income on housing was significantly lower in the region than in the province as a whole.<sup>13</sup>

Between 2003 and 2005, the KDR experienced job creation, primarily in the higher-wage goods-producing sector,<sup>14</sup> and population growth. Given that employment growth appears to be ahead of population growth, real pre-tax income per capita in the KDR could make positive gains in 2005.

## educational achievement

BC Statistics data shows that, between 2003/04 and 2004/05, 24.4% of 18 year olds in the province did not graduate from high school. Comparing this with the regional districts within the KDR, it appears that all three had slightly higher-than-average percentages of 18 year olds who did not finish high school during this time – 24.5%, 25.3%, and 25.5% for the East Kootenay, Central Kootenay, and Kootenay-Boundary Regional Districts respectively.

Table 2: Percentage of 18 Year Olds Who Did Not Graduate, Kootenay Development Region, Average 2001/02-03/04 and 2002/03 – 04/05

Regional District	Average 2001/02-2003/04	Average 2002/03-2004/05
East Kootenay	21.2	24.5
Central Kootenay	23.9	25.3
Kootenay-Boundary	21.7	25.5
<b>British Columbia</b>	<b>24.9</b>	<b>24.4</b>

Source: BC Statistics.

The existence and perception of education opportunities are a factor in graduation rates, as well as educational attainment of student's parents and parental involvement in education.<sup>15</sup> Quality post-secondary education is accessible in most areas in the KDR. Selkirk College, with seven campuses scattered throughout the Central and Kootenay-Boundary Regional Districts, and the College of the Rockies, with seven regional campuses in the Central and East Kootenay Regional Districts. These institutions offer online learning, adult upgrading, certificate and diploma programs, and university transfer programs.

Census 2001 data shows that the percentage of the population aged 25-54 years without high school completion follows a comparable trend to the 18 year old non-graduation rate in the KDR. Upon examining educational attainment in the region, we find that 19.8%, 17.6%, and 19.1% of the adult population ages 25-54 in the East Kootenay, Central Kootenay, and Kootenay-Boundary Regional Districts, did not complete high school, as compared to the BC average of 17.2%.<sup>16</sup>



<sup>11</sup> BC Statistics, BC Ministry of Labour and Citizen's Services, *Labour Force Income Profile, 2000 to 2003*.

<sup>12</sup> East Kootenay employees earned over \$3,600 more than their counterparts in the Central Kootenay in 2003.

<sup>13</sup> In 2001, the percentage of households in the three regional districts paying 30% or more on housing ranged from 20.1% to 24.1% – compared to the provincial average of 28.6%. BC Statistics, *Housing Costs in Households in BC – 2001*. <http://www.bcstats.gov.bc.ca/data/sep/rd/reconhou.pdf>

<sup>14</sup> The average weekly wage in the goods-producing sector in 2005 was \$807.50 compared to \$687.52 in the services-producing sector. Source: Statistics Canada, *Historical Labour Force Survey, 2006 Edition*, CD3, Table 02AN.

<sup>15</sup> C. Anderson w/ C. Bruce. *Using Family Background to Predict Educational Attainment in Canada*. The Expert Witness Newsletter, Vol. 9, No. 3, Autumn 2004, Economica Ltd.

<sup>16</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Indicators of Education Concerns, 2004*.

Statistics Canada's *Youth in Transition Survey* identifies the past availability and expectation of well-paying jobs that may not require high school completion as factors that may play a role in graduation rates. Since 2000, the youth unemployment rate in the KDR has varied dramatically – from a high of 20.3% in 2003 to a low of 8.2% in 2005. Sitting just below the provincial average, this is the lowest rate of youth unemployment the region has experienced in the last decade. While this seems like good news, the youth labour force, in fact, has declined by over 25% in the KDR since 2004.<sup>17</sup> Both employed and unemployed youth numbers dropped during this time. As a result, there are less youth competing for existing jobs, which may lure some out of school prematurely. This may partially explain why the non-graduation rate has increased since 2001/02, at a time when this rate has declined at the provincial level.<sup>18</sup>

## dependency on the social safety net

At times of strong economic growth and job creation, there are more opportunities for unemployed workers and those not currently participating in the labour force. This shifts these workers and their families away from reliance on government transfers, and towards sustainable employment earnings. The share of the KDR's adult population dependent on Income Assistance and Employment Insurance was 3.8% in September 2005, compared with the provincial average of 3.7%.<sup>19</sup> During the past three years, the Central Kootenay and Kootenay-Boundary Regional Districts of the KDR have had a higher proportion of their population dependent on Income Assistance and Employment Insurance than the province as a whole. The East Kootenay Regional District, however, stayed consistently below the provincial average. By 2005, the East Kootenay's share of dependent population was the lowest in the province. The region as a whole had the second lowest dependency in the province, after the Mainland/Southwest Development Region.<sup>20</sup>

Table 3: Basic Income Assistance Recipients and EI Beneficiaries as a Percent of the Population Aged 19-64, Kootenay Development Region, 2001 to 2005<sup>21</sup>

Region	2001	2002	2003	2004	2005
East Kootenay	6.3	5.3	5.0	3.6	3.0
Central Kootenay	8.9	7.5	6.2	5.0	4.3
Kootenay-Boundary	8.0	6.9	5.3	4.5	4.4
<b>Kootenay DR Total</b>	<b>7.7</b>	<b>6.5</b>	<b>5.5</b>	<b>4.3</b>	<b>3.8</b>
<b>British Columbia</b>	<b>7.0</b>	<b>6.1</b>	<b>5.1</b>	<b>4.2</b>	<b>3.7</b>

Source: BC Statistics.

Due to the buoyant economy in recent years, the share of the adult population dependent on the social safety net has declined steadily since 2001 throughout BC. Overall this ratio declined from 7.0% to 3.7% between 2001 and 2005, while the KDR ratio dropped slightly more from 7.7% to 3.8%.



<sup>17</sup> The population of youth (ages 19 to 24 years) has declined by over 22% since 2004 – the number of employed youth has dropped by almost 19% while the number of unemployed youth has dropped by over 60%. Source: Statistics Canada, *Historical Labour Force Survey*, Custom Table.

<sup>18</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Indicators of Education Concerns*, 2004.

<sup>19</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Population 19-64 Receiving Basic Income Assistance or Employment Insurance*, February 2006.

<sup>20</sup> Tied with the Capital Regional District on Vancouver Island.

<sup>21</sup> Rates are as of September for each year.

## job creation

The labour force in the KDR grew steadily between 2004 and 2005, producing a net gain of 2,100 jobs, the region's highest annual growth since 1998.<sup>22</sup> The services-producing sector rebounded to near-2002 employment levels with the creation of 4,700 jobs. This was an annual growth rate of 10.4%. Unfortunately, the number of goods-producing jobs shrank by 2,600.

Table 4: Employment in Kootenay Development Region, 2000 to 2005<sup>23</sup>

	2000	2001	2002	2003	2004	2005	Job Creation (000)	
							5-Year 2000-05	1-Year 2004-05
<b>TOTAL EMPLOYMENT (000)</b>	<b>70.8</b>	<b>70.4</b>	<b>66.6</b>	<b>67.4</b>	<b>67.1</b>	<b>69.2</b>	<b>-1.6</b>	<b>2.1</b>
<b>Goods-Producing Sector (000)</b>	<b>17.5</b>	<b>15.2</b>	<b>15.7</b>	<b>17.6</b>	<b>21.7</b>	<b>19.1</b>	<b>1.6</b>	<b>-2.6</b>
Agriculture	-	-	-	-	-	-	-	-
Forestry, fishing, mining, oil and gas	5.1	2.8	2.3	2.7	2.3	3.1	-2.0	0.8
Utilities	-	-	-	-	-	-	-	-
Construction	5.0	5.1	4.6	5.5	8.3	5.8	0.8	-2.5
Manufacturing	6.6	6.9	7.3	7.7	10.3	8.7	2.1	-1.6
<b>Services-Producing Sector (000)</b>	<b>53.2</b>	<b>55.2</b>	<b>50.9</b>	<b>49.8</b>	<b>45.4</b>	<b>50.1</b>	<b>-3.1</b>	<b>4.7</b>
Trade	12.0	14.0	14.4	11.1	8.7	10.1	-1.9	1.4
Transportation & warehousing	3.6	4.5	2.2	2.5	3.7	3.7	0.1	0.0
Finance, insurance, real estate & leasing	2.2	2.8	2.9	3.3	-	2.8	0.6	-
Professional, scientific & technical services	3.0	3.6	3.1	2.1	2.0	3.8	0.8	1.8
Business, building & other support services	1.8	-	1.6	2.1	2.4	2.5	0.7	0.1
Educational services	6.4	4.5	4.9	4.5	4.0	4.5	-1.9	0.5
Health care & social assistance	7.9	6.6	7.3	8.5	9.0	7.8	-0.1	-1.2
Information, culture & recreation	2.2	3.0	2.4	3.0	2.9	4.0	1.8	1.1
Accommodation & food services	7.6	8.1	6.9	7.1	4.9	5.4	-2.2	0.5
Other services	4.4	4.3	2.1	3.4	3.9	3.1	-1.3	-0.8
Public administration	2.1	2.7	2.9	2.1	2.3	2.2	0.1	-0.1

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



<sup>22</sup> Statistics Canada, *Historical Labour Force Survey*, 2006 Edition, CD1, Table 30AN.

<sup>23</sup> Industries with 0.0 are estimated to have less 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.

## work indicators

Over the past five years, job creation in the KDR's **services-producing sector** has been erratic, culminating in a net loss of 3,100 jobs. The largest losses took place between 2002 and 2004, when the 9,800 jobs were lost. Employment losses over the five year period were spread across several industries, with the biggest losers being accommodation and food services (-2,200 jobs), and trade and educational services (-1,900 jobs each).

Employment in the accommodation and food services industry has dropped sharply since 2001, although 2005 saw a slight gain of 500 jobs. This continued from 2004 when the region witnessed the beginning of rebound from a combination of events<sup>24</sup> which negatively impacted travel to BC.<sup>25</sup> In the KDR, room revenues picked up by 6.5% in 2004,<sup>26</sup> and statistics from the first three quarters of 2005 indicate that this trend will continue in 2005.<sup>27</sup>

Trade, which encompasses distributors, wholesalers, agents and brokers for a wide variety of products, was flourishing until 2002. In the two years that followed, the industry saw a loss of approximately 5,700 jobs, a 40% decline in employment. Trade rebounded somewhat in 2005 with the creation of 1,400 jobs. Although wages are generally low in this industry,<sup>28</sup> many workers in the KDR are dependent upon it as a source of income. In 2002, trade provided 22% of total employment compared to 15% in 2005.<sup>29</sup>

While overall employment in the educational services industry is still far below its 2000 level, the industry added 500 jobs in 2005, a 12% increase. In the public school system, overall enrollment continued to decline in all school districts in the development region, with teacher and administration staffing levels remaining relatively unchanged between 2004 and 2005.<sup>30</sup> Educational services include not only the public school system, but colleges, universities, technical schools, and private sector business/computer, arts, athletic and language training.

The KDR's **goods-producing sector** generated 1,600 new jobs between 2000 and 2005. In 2004, the sector reached its highest level of employment of the decade, with the creation of 4,100 jobs. Unfortunately, this windfall was diminished by the subsequent loss of 2,600 jobs in 2005. Over the five year period, employment gains in manufacturing (2,100 new jobs since 2000) and construction (800 jobs) were offset by losses in forestry, fishing, mining, old and gas (2,000 jobs).

Manufacturing posted four years of consecutive job gains until 2004, taking the industry to its highest level of employment of the decade. A reversal of this trend in 2005, with a loss of 1,600 jobs, offset the earlier gains. In the KDR, a significant portion of manufacturing employment is in the wood products and pulp and paper manufacturing industries.<sup>31</sup> A decline in BC softwood lumber, plywood, and pulp and paper prices in 2005,<sup>32</sup> in combination with high energy costs and a strong Canadian dollar,<sup>33</sup> eroded industry profits and produced employment cut-backs.



<sup>24</sup> British Columbia's tourism sector was hit by a number of external shocks, including the 9/11 terrorist attacks, the SARS outbreak in March 2003, and the effects of the war in Iraq. Source: BC Statistics, Ministry of Labour and Citizen's Services, *Tourism Sector Monitor*, September 2004.

<sup>25</sup> Tourism British Columbia, *Kootenay Rockies: Regional Profile*, October 2005.

<sup>26</sup> BC Statistics, *British Columbia Tourism Room Revenue*, Annual 2004.

<sup>27</sup> Tourism British Columbia, *Tourism Indicators*, Issue No. 43, February 2006.

<sup>28</sup> In 2005, the average wage in British Columbia for jobs in trade was \$14.97 per hour compared to the all industry average of \$19.36 per hour. Source: Statistics Canada, *Historical Labour Force Survey, 2006 Edition*, CD3, Table 02AN.

<sup>29</sup> Statistics Canada, *Historical Labour Force Survey*, 2006 Edition, CD1, Table 30AN.

<sup>30</sup> Ministry of Education, *2005/06 Summary of Key Information*, February 2006.

<sup>31</sup> BC Statistics, Ministry of Labour and Citizen's Service, *Manufacturing Industries by Regional District, Principal Statistics*, 2003.

<sup>32</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Current Statistics*, February 2006.

<sup>33</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Pulp Friction: Challenging Times for BC's Pulp Industry*, November 2005.

# work indicators

Employment in construction was down from 2004, with the loss of 2,500 jobs, but still higher than years previous to 2004.<sup>34</sup> Nevertheless, the value of building construction in the KDR was up over 50% in 2005, with residential construction accounting for the majority of new construction.<sup>35</sup>

While employment in forestry, fishing, mining oil and gas is well below 2000 levels – a thriving time for the industry – it has improved in 2005 with the creation of 800 new jobs, a 35% increase over 2004.

## unemployment rate

Strong economic activity created new opportunities for unemployed workers in the KDR in 2005. A considerable decline in joblessness<sup>36</sup> saw the unemployment rate fall to 6.1%, the lowest rate the region has seen in the past decade, and almost in line with the provincial average of 5.9%.

Table 5: Unemployment Rate in the Kootenay Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Point (ppt) Change	
							5-Year 2000-05	1-Year 2004-05
Kootenay DR	10.0	9.7	10.0	11.5	9.2	6.1	-3.9%	-3.1%
<b>British Columbia</b>	<b>7.1</b>	<b>7.7</b>	<b>8.5</b>	<b>8.0</b>	<b>7.2</b>	<b>5.9</b>	<b>-1.2%</b>	<b>-1.3%</b>

Source: Statistics Canada



<sup>34</sup> 1996 is the only other year in the 10-year period where employment in the construction industry was higher than existing levels.

<sup>35</sup> Building permit values jumped from \$244,691,000 to \$369,681,000 in 2005. Residential construction contributed \$125,733,000 while institutional and government contributed \$14,828,000. Industrial and commercial construction declined by \$5,074,000 and \$10,497,000 respectively. Source: Statistics Canada.

<sup>36</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Labour Force Activity by BC Development Region – Annual Averages*, January 2006.

## business and investment activity

Last year (2005) was a very positive year for BC, with improvements in a number of areas of the economy occurring simultaneously – high energy, mineral and metal prices, a strong high-tech sector, gas in the northeast, a turnaround in the fiscal position of the BC government, and growing trade with Asia.<sup>37</sup> Mineral exploration hit \$220 million in 2005; the best year for BC's mining industry in more than a decade, with 650 projects underway.<sup>38</sup> The Kootenay region of the province saw approximately \$13 million in exploration expenditures.

A significant negative development in 2005 was the strong Canadian dollar, which put a squeeze on some parts of the economy. Pulp and paper exporters were the hardest hit,<sup>39</sup> with many forest-manufacturing companies generated lower than expected earnings because of this and declining prices, and higher manufacturing and distribution costs.<sup>40</sup>

Both the private and public sectors are making significant capital investment in the KDR and throughout the province. The greatest share of investment in the KDR is the development of utilities related to power generation, the majority being public-funded. In the third quarter of 2005, there were seven power industry projects proposed or underway.<sup>41</sup> These comprise almost one third of all projects<sup>42</sup> in the KDR. Other government-funded investment consists of developments associated with education, seniors' care and transportation. Private sector investment includes five developments related to the construction or expansion of ski resorts, four residential/commercial developments and two new mines.

The BC Major Projects Inventory estimates that, as of the third quarter of 2005, construction had started on \$2 billion worth of projects in the KDR, with another \$1.5 billion proposed.<sup>43</sup> The largest projects under construction in third quarter of 2005 included the Brilliant Expansion Power Project in Castlegar (\$210 million), the Waneta Power Plant Upgrade near Trail (\$80 million), Fortis Electricity System Upgrades in the Central Kootenay Regional District (\$244 million), the Red Mountain Ski Resort Expansion near Rossland (\$750 million), and the expansions of the Fernie Alpine, Panorama Mountain Village, and the Kimberley Ski Resorts – all in the East Kootenay Regional District (\$700 million total). Other major investments in the region expected to proceed in 2006 or 2007 include the Waneta Power Plant Expansion (\$600 million), the Jumbo Glacier Resort near Invermere (\$450 million), and the Elk River Golf Resort and Blackstone Resort Developments near Fernie (\$100 million each).

## incorporations and bankruptcies

The KDR marked the fourth year in a row of positive growth in the number of business incorporations during 2005. Between 2004 and 2005, the number of incorporations grew by 19.1% to 536.<sup>44</sup> Although slightly below the provincial growth rate of 25.2%, this was the largest annual gain within the past five years.<sup>45</sup>



<sup>37</sup> The Vancouver Sun, *Everything Right for the BC Economy in '05*, December 21, 2005.

<sup>38</sup> The Vancouver Sun, *BC Mining Exploration Totaled \$220 Million in 2005*, January 19, 2006.

<sup>39</sup> The Vancouver Sun, *Everything Right for the BC Economy in '05*, December 21, 2005.

<sup>40</sup> Human Resources Development Canada, *HRCC Prince George/North Central - Labour Market Bulletin*, 3Q05.

<sup>41</sup> Ministry of Small Business and Economic Development (September 2005). *BC Major Projects Inventory*. [http://www.gov.bc.ca/ecdev/down/mpiu\\_update\\_sept\\_05.pdf](http://www.gov.bc.ca/ecdev/down/mpiu_update_sept_05.pdf)

<sup>42</sup> One third of projects that are proposed or underway.

<sup>43</sup> *Ibid.*

<sup>44</sup> BC Statistics, Ministry of Labour and Citizen's Services, *British Columbia Incorporations by Development Region, Regional District and Municipality*, January 2006.

<sup>45</sup> *Ibid.*



Table 6: Business Incorporations and Bankruptcies in the Kootenay Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Business Incorporations	412	313	340	365	450	536	30.1%	19.1%
Business Bankruptcies <sup>46</sup>	5	6	3	11	6	2	-60.0%	-66.7%

Source: BC Statistics.

The news about business bankruptcies is also good. The number of bankruptcies in the KDR declined by 66.7% in 2005 to 2. Both results underscore the strongly favourable investment climate in the KDR and BC in 2005.

## business establishments

The flurry of investment activity in BC during the past few years has created a myriad of related business opportunities. Table 7 shows that province-wide, the number of business establishments increased by over 55,000 between 2000 and 2005.<sup>47</sup> Small business establishments<sup>48</sup> were responsible for 99% of this growth.

Table 7: Number of Business Establishments in the Kootenay Development Region – All Sizes, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Kootenay DR	10,042	10,830	10,747	11,903	12,200	12,055	20.0%	-1.2%
<b>British Columbia</b>	<b>289,832</b>	<b>315,738</b>	<b>315,277</b>	<b>332,418</b>	<b>346,316</b>	<b>345,227</b>	<b>19.1%</b>	<b>-0.3%</b>

Source: BC Statistics and Statistics Canada

The KDR accounts for 3.5% of BC's business establishments. Business formation in the KDR exceeded the provincial pace, with the region seeing a net increase of over 2,000 business establishments between 2000 and 2005. Similar to the provincial trend, virtually all of the growth was due to new small business formation.<sup>49</sup> In 2005, the region lost 145 businesses – the number of business establishments with no employees declined considerably while establishments employing over 20 employees grew.<sup>50</sup>



<sup>46</sup> Business bankruptcy data represents the City of Cranbrook.

<sup>47</sup> BC Statistics, Establishment Counts by Employee Size, 1995 – 2004, May 2005 and Statistics Canada, Business Register, December 2005 Establishment Counts.

<sup>48</sup> For the purpose of this report, "small business" refers to those business establishments with less than 50 employees.

<sup>49</sup> The KDR saw a net gain of 1,994 small business establishments between 2000 and 2005.

<sup>50</sup> While there was a net loss of 155 business establishments with no employees, those establishments with 20-49 and 50+ employees grew by 33 and 5 establishments respectively.



# conclusions

In 2005, the KDR economy, with its dependency on the forestry and mining sectors, and susceptibility to swings in the resource sector, made considerable improvements in a number of areas. The KDR experienced overall employment gains, bringing the unemployment rate to its lowest level of the decade. A decline in dependency on the social safety net moved the KDR to the second least reliant region in the province. And the investment and business climate appears to be continuing to advance, as evidenced by considerable ongoing and planned investment, growing numbers of incorporations and larger-size business establishments, and a decline in the number of bankruptcies.

However, a few concerns were revealed in the regional data. As of 2003, real average employment income in the KDR was the lowest in the province; considerably lower than the provincial average. While average earnings may improve by 2005 as a result of higher-than-average wage goods-producing sector job creation over the past two years, they are not expected to advance significantly. Future income levels remain in question however, with much of the ongoing and future development in the region – particularly the tourism-related developments – anticipated to generate lower-wage service sector jobs in the long-term. Nevertheless, it is anticipated these investments will also stimulate local economies which will, in turn, further strengthen the region's business climate.

This is clear from current price gains being seen in the residential housing market. There is significant demand for residential properties, which has pushed up values significantly in recent years. Previously, within the region a 10% annual appreciation in real estate pricing was seen as substantial. Since the beginning of 2004, increases in some areas have been 50%. Lake frontage which sold for \$1,500 per foot in 2003, now sells for \$5,000 per foot. Demand appears to be driven by buyers from out of province and out of country buyers.

