

North Coast Development Region

Skeena-Queen Charlotte • Kitimat-Stikine



Our annual review of the economic and social climate of BC'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.

The North Coast is one of the least-populated development regions in BC, accounting for less than 2% of the provincial total. The development region encompasses the Skeena-Queen Charlotte and Kitimat-Stikine Regional Districts, with a total land area of 111,627 km<sup>2</sup>.

The manufacturing sector, driven by a rich endowment of timber, mineral and fish resources has historically dominated the regional economy. This sector is particularly significant in the Kitimat and Prince Rupert areas. Kitimat, a diversified international port city with highway and rail linkages to Alberta and the United States, is known for its production of aluminum, paper, methanol<sup>1</sup> and ammonia. Prince Rupert, also a port city with strong transportation linkages, specializes in fish, lumber and pulp processing. Terrace's economy is driven by wood processing, but retail trade, and health care and social assistance are the major employers in this community. The Eskay Creek mine, northwest of Stewart, is the only remaining mine in the region, but metals exploration has increased and other mines may



<sup>1</sup>Methanex permanently ceased production of methanol and ammonia at its Kitimat site in November 2005 as it is no longer economically viable. Source: <http://www.methanex.com/>

open in the near future.<sup>2</sup> Energy exports are increasing, and new generation facilities are planned for future development.<sup>3</sup>

The North Coast was the only development region in the province to experience a decline in population between 2000 and 2005.<sup>4</sup> While BC saw an average gain in population of 5.3% over this period, population in the NCDR shrank by 1.5%, reaching 65,383 by 2005.<sup>5</sup> Most of the loss occurred between 2000 and 2002, when over 2,600 residents, or about 4% of the population, left the region,<sup>6</sup> however since 2002, population numbers have recovered slightly. In fact, BC Statistics forecasts that population in the NCDR will increase at an annual rate of 0.6% in the long term, reaching 75,370 by 2031.<sup>7</sup>

## live indicators

### income

Income growth provides a benchmark of regional economic activity, and allows some simple comparisons with the progress of other regions. The only consistent regional income indicator available for BC is pre-tax income, with the most current data being 2003.<sup>8</sup> Regional income per capita<sup>9</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.<sup>10</sup> 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 NCDR declined by 8.8% between 2000 and 2003. Over this period, residents of the NCDR consistently realized the lowest per capita incomes in BC. By 2003, the gap in real pre-tax income per capita between the region and the rest of the province widened to \$5,466.

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

Region	2000	2001	2002	2003	Percentage Change	
					3-Year 2000-03	1-Year 2002-03
North Coast DR	\$17,618	\$17,035	\$16,333	\$16,075	-8.8%	-1.6%
<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.

How can we interpret this dip in real per capita income between 2000 and 2003, and what is behind the sizeable income gap with the rest of the province? First, it appears that the drop in total pre-tax income for the region as a whole was *greater* than the decline in population between 2000 and 2003. Secondly, overall employment in the region shrank by 5.3%,<sup>11</sup> as compared to job growth of 4.3% for the province as a whole over the same period. This was a time of stagnant economic



<sup>2</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Quarterly Regional Reports, Northcoast Development Region*, 1st Quarter 2006.

<sup>3</sup> Ibid.

<sup>4</sup> BC Statistics, Ministry of Labour and Citizen's Services, *BC Regional District and Municipal Population Estimates, 1996-2005*, March 2006.

<sup>5</sup> Ibid.

<sup>6</sup> BC Statistics, Ministry of Labour and Citizen's Services, *BC Regional District and Municipal Population Estimates, 1996-2005*, March 2006.

<sup>7</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Population Projections (2005-2031)*, May 2005.

<sup>8</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>9</sup> Per capita means per person. Total pre-tax income is divided by the population size to estimate this figure.

<sup>10</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>11</sup> This figure reflects employment in Northwest British Columbia, as Statistics Canada aggregates employment data for the North Coast and Nechako Development Regions.

performance in the region and in the province. In total, the region lost approximately 2,500 jobs.<sup>12</sup> Thirdly, the region's high unemployment, partially due to the seasonal nature of some of the industries associated with logging and fishing, and as a result of significant overall job loss, dampens average incomes. Between 2001 and 2003, the NCDR had the highest share of the adult population dependent on the social safety net in the province (refer to "Dependency on the Social Safety Net" section).

Those that remained employed between 2000 and 2003 were unable to maintain their existing wage level. Real average employment income<sup>13</sup> per taxfiler in the NCDR dropped from \$30,450 to \$28,114 between 2000 and 2003, or 7.7%.<sup>14</sup> This is in comparison to a loss of 1.3% for the province as a whole during the same period.<sup>15</sup> Within the NCDR, there appears to a significant disparity in earnings. On average, Kitimat-Stikine employees earned about \$5,300 more than their counterparts in the Skeena-Queen Charlotte Regional District in 2003.

## educational achievement

BC Statistics data shows that, between 2003/04 and 2004/05, 24.4% of 18 year olds in BC did not graduate from high school. Comparing this with the two regional districts within the NCDR, it appears that both the Skeena-Queen Charlotte and Kitimat-Stikine Regional Districts realized considerably higher-than-average percentages of 18 year olds who did not finish high school during this time – 35% and 36.3% respectively.

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

Regional District	Average 2001/02-2003/04	Average 2002/03-2004/05
Skeena-Queen Charlotte	36.8	35.0
Kitimat-Stikine	31.4	36.3
<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 students' parents and parental involvement in education.<sup>16</sup> Quality post-secondary education is accessible in some areas in the NCDR, which may have some bearing on the region's low completion rates. The University of Northern British Columbia serves the communities of Terrace and Prince Rupert, and Northwest Community College has campuses and community learning centres scattered in various locations throughout the region. A variety of educational options from certificate and diploma programs, trades and technology, and university transfer programs are available. Census 2001 data shows that the percentage of the population aged 25-54 years without high school completion follows a similar trend to the 18 year old non-graduation rate in the NCDR. In the Skeena-Queen Charlotte Regional District, 28.2% of the 25-54 age population did not complete high school, while 24% of this population did not graduate in Kitimat-Stikine Regional District – compared to the BC average of 17.2%.<sup>17</sup>



<sup>12</sup> Data for Northwest British Columbia. Source: Statistics Canada, *Historical Labour Force Survey*, 2006 Edition, CD1, Table 30AN.

<sup>13</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>14</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.

<sup>15</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Labour Force Income Profile*, 2000 to 2003.

<sup>16</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>17</sup> BC Statistics, Ministry of Labour and Citizens' Services, *Indicators of Education Concerns*.

## live indicators

It has been well documented from many sources that Aboriginal Peoples in BC lag behind the rest of the population in educational attainment.<sup>18</sup> At a provincial level, the 2004/05 six year completion rate<sup>19</sup> for the aboriginal student population was 48%, compared to 79% for the total student population.<sup>20</sup> In the NCDR, almost 50% of enrolment in the region's schools is comprised of Aboriginal students, compared to a provincial average of 9%.<sup>21</sup>

Statistics Canada's *Youth in Transition Survey* indicates the past availability and present 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 NDR has varied considerably – from a high of 31% to a low of 9.4% in 2005, one percentage point above the provincial average.<sup>22</sup> Statistics Canada Labour Force Survey data shows that the youth labour force in the NCDR has grown in recent years, with the number of those employed growing even more. These recent new job prospects, which may lure some youth out of school prematurely, may partially explain why the non-graduation rate has increased in the Kitimat-Stikine Regional District since 2001/02.

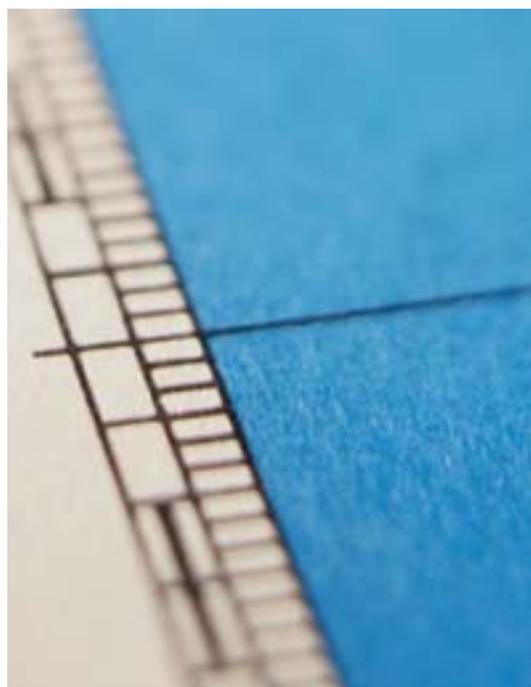
## dependency on the social safety net

At times of strong economic growth and job creation, there are more opportunities for unemployed workers and those not currently in the labour force to obtain work. This shifts these workers and their families away from reliance on government transfers, and towards sustainable employment earnings. The share of the NCDR's adult population dependent on Income Assistance and Employment Insurance was 6.6% in September 2005, compared to the provincial average of 3.7%. Residents of the NCDR rely more heavily on the social safety net than the average British Columbian. The region, in fact, has the highest share of the adult population dependent on the social safety net in the province.<sup>23</sup>

Table 3: Basic Income Assistance Recipients and EI Beneficiaries as a Percent of the Population Aged 19-64, North Coast Development Region, 2001 to 2005<sup>24</sup>

Region	2001	2002	2003	2004	2005
Skeena-Queen Charlotte	13.0	10.9	9.8	7.7	6.9
Kitimat-Stikine	13.4	11.7	10.1	7.2	6.5
<b>North Coast DR Total</b>	<b>13.3</b>	<b>11.4</b>	<b>10.0</b>	<b>7.4</b>	<b>6.6</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 in the province, this ratio declined from 7% to 3.7% between 2003 and 2005, while the NCDR ratio plummeted, twice as fast as the provincial rate, from 13.3% to 6.6%.



<sup>18</sup> BC Statistics, Ministry of Labour and Citizens' Services, Earnings & Employment Trends, *The Educational Attainment of Aboriginal Peoples: A Regional Comparison – Part I*, December 2004

<sup>19</sup> The portion of students who graduate within 6 years from the time they enroll in Grade 8.

<sup>20</sup> Ministry of Education, *2005/06 Summary of Key Information*, February 2006.

<sup>21</sup> In 2004/05, total enrolment in the four NCDR school districts was 10,545 – aboriginal enrolment was 4,867. Source: Ministry of Education, *2005/06 Summary of Key Information*, February 2006.

<sup>22</sup> Statistics Canada, *Historical Labour Force Survey*, Custom Table.

<sup>23</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Population 19-64 Receiving Basic Income Assistance of Employment Insurance*, February 2006.

<sup>24</sup> Rates are as of September for each year.

## work indicators

### job creation

Statistics Canada aggregates employment data for the North Coast and Nechako Development Regions. Together, these two development regions comprise **Northwest British Columbia**. Census 2001 labour force data shows that labour market activity is shared fairly equally between the Bulkley-Nechako and the Kitimat-Stikine Regional Districts. The Skeena-Queen Charlotte Regional District contributes to about 20% of the labour market activity.

The labour force in Northwest British Columbia grew steadily in 2004-05, with the largest absolute gains occurring in the services-producing sector. Of the 3,300 jobs created in Northwest British Columbia in 2005, approximately 2,200 of these were in services.<sup>25</sup> This was an annual growth rate of 7.7%, the highest increase in Northwest British Columbia services-producing sector employment in the past decade. The number of goods-producing jobs rose by 1,100 or at an annual rate of 7.9%. Again, this was the highest growth rate seen in the past decade.

Over the past five years, Northwest British Columbia's **services-producing sector** has shrunk, with a loss of 1,100 jobs since 2000. Employment gains in trade, with 1,300 new jobs since 2000, were offset by job loss in educational services (-1,200 jobs) and public administration (-1,100 jobs).



---

<sup>25</sup> Statistics Canada, *Historical Labour Force Survey*, 2006 Edition, CD1, Table 33AN.

Table 4: Employment Northwest British Columbia, 2000-2005<sup>26</sup>

	2000	2001	2002	2003	2004	2005	Job Creation (000)	
							5-Year 2000-05	1-Year 2004-05
<b>TOTAL EMPLOYMENT (000)</b>	<b>47.3</b>	<b>46.6</b>	<b>44.9</b>	<b>44.8</b>	<b>42.4</b>	<b>45.7</b>	<b>-1.6</b>	<b>3.3</b>
<b>Goods-Producing Sector (000)</b>	<b>15.5</b>	<b>13.9</b>	<b>13.8</b>	<b>14.4</b>	<b>13.9</b>	<b>15.0</b>	<b>-0.5</b>	<b>1.1</b>
Agriculture	-	-	-	-	-	2.5	-	-
Forestry, fishing, mining, oil and gas	5.0	4.0	3.7	4.0	2.9	3.0	-2.0	0.1
Utilities	-	-	-	-	-	-	-	-
Construction	-	2.3	2.6	2.2	1.9	1.8	-	-0.1
Manufacturing	8.1	7.3	7.1	7.2	8.4	7.6	-0.5	-0.8
<b>Services-Producing Sector (000)</b>	<b>31.8</b>	<b>32.7</b>	<b>31.1</b>	<b>30.4</b>	<b>28.5</b>	<b>30.7</b>	<b>-1.1</b>	<b>2.2</b>
Trade	6.4	6.9	6.0	5.9	4.7	7.7	1.3	3.0
Transportation & warehousing	3.3	2.6	3.0	2.7	2.2	3.2	-0.1	1.0
Finance, insurance, real estate & leasing	1.6	2.2	-	-	1.7	1.7	0.1	0.0
Professional, scientific & technical services	-	-	-	1.5	1.5	1.5	-	0.0
Business, building & other support services	-	1.7	-	-	1.5	-	-	-
Educational services	4.1	4.0	3.5	4.2	3.3	2.9	-1.2	-0.4
Health care & social assistance	3.8	4.7	5.0	4.9	4.6	3.9	0.1	-0.7
Information, culture & recreation	-	-	-	-	1.5	1.7	-	0.2
Accommodation & food services	3.7	3.5	3.6	3.1	3.4	3.0	-0.7	-0.4
Other services	2.6	1.8	1.7	1.9	1.8	2.3	-0.3	0.5
Public administration	2.6	2.7	3.0	2.6	2.3	1.5	-1.1	-0.8

Source: Statistics Canada, Labour Force Survey Historical Review.

The trade industry, which has been in a decline since 2002,<sup>27</sup> saw an abrupt turnaround in 2005. Approximately 3,000 jobs were created in this industry, a whopping 64% increase over 2004. Employment in the industry climbed until July, reaching a high of 9,800. By December, employment levels settled down to 6,000.<sup>28</sup> This pattern of seasonal job creation does not appear to correlate to previous years. The summer of 2005 was exceptional; the port of Prince Rupert posted a record cruise season and the entire region was a hotbed for mineral exploration. The trade industry benefited from both.

Employment in the educational services industry has fallen by almost 30% since 2000. This downturn can be mostly attributed to a loss of 1,300 jobs in 2004 and 2005. In the public school system, overall enrollment continued to decline throughout Northwest British Columbia,<sup>29</sup> which resulted in a slight drop in teacher and administration staffing levels 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.



<sup>26</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.

<sup>27</sup> Primarily as a result of closures such as Skeena Cellulose and declines in the forest industry.

<sup>28</sup> Statistics Canada, *Historical Labour Force Survey*, 2006 Edition, CD1, Table 33M3.

<sup>29</sup> The only exception was the Haida Gwaii/Queen Charlotte and Bulkley Valley School Districts, which saw increases of 29 and 21 students between 2004/05 and 2005/06. Source: Ministry of Education, *2005/06 Summary of Key Information*, February 2006.

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

## work indicators

Northwest British Columbia's public administration industry has contracted tremendously, by over 40%, since 2000. The loss of 800 jobs in 2005 has had the largest impact on the downturn of this industry.

Northwest British Columbia's **goods-producing sector** shrank by 3%, a total of 500 jobs, between 2000 and 2005. While there was job creation in 2003 and 2005, it was not sufficient to offset losses incurred in other years. Employment losses were spread across several industries, with the largest losses seen in forestry, fishing, mining, oil and gas, with 2,000 jobs lost since 2000 in harvest rates of sockeye salmon and a downturn in the forest industry have depressed this industry.<sup>31</sup> Although employment in forestry, fishing, mining oil and gas remains below 2000 levels – a thriving time for the industry – it has improved in the past year with the creation of 100 new jobs, a 3.4% increase over 2004.

By the end of 2004, the manufacturing industry in Northwest British Columbia had strengthened to match employment levels seen in the mid-1990's. Regrettably, the industry hit a snag in 2005, leading to a loss of 800 jobs. BC softwood lumber prices plunged 12.4% in 2005, and plywood prices fell even more.<sup>32</sup> In the pulp and paper industry, prices dropped as a result of a glut of supply, falling demand, and lower-cost competitors. High energy costs and a strong Canadian dollar eroded manufacturing profits further.<sup>33</sup> These developments negatively impacted both wood products manufacturers and sawmill operators in Northwest British Columbia. On a positive note, the recent Canada-USA softwood lumber agreement, which will see the USA return about 80% of the more than \$5 billion in duties it has collected on lumber imports and a removal of tariffs on lumber,<sup>34</sup> is expected to provide the region's lumber manufacturers with more certainty and stability in the future.

## unemployment rate

Strong economic activity created new opportunities for unemployed workers in Northwest British Columbia in 2005. A considerable decline in joblessness<sup>35</sup> saw the unemployment rate fall to 8.1%, the lowest rate in the region since 1996.<sup>36</sup> While the region's rate declined at a greater pace than the province as a whole, Northwest British Columbia still has the highest unemployment rate in the province.



<sup>31</sup> Human Resources Development Canada, *HRCC Northwest - Labour Market Bulletin*, 1Q04.

<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.

<sup>34</sup> Export taxes will kick in when the price of lumber drops – producers will have to pay an export tax of 5% if there's a small drop in price; if the reduction is greater, they will have to pay as much as 15%. The agreement remains in effect for seven years, with the possibility of renewal. Source: Canadian Broadcasting Corporation, *Softwood Lumber Dispute*, April 28, 2006.

<sup>35</sup> BC Statistics, Ministry of Labour and Citizen's Services, *Labour Force Activity by BC Development Region – Annual Averages*, January 2006.

<sup>36</sup> Statistics Canada, *Historical Labour Force Survey*, 2006 Edition, CD1, Table 30AN.

## work indicators

Table 5: Unemployment Rate in Northwest British Columbia, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Point (ppt) Change	
							5-Year 2000-05	1-Year 2004-05
Northwest BC	10.2	11.2	12.6	11.3	11.6	8.1	-2.1%	-3.5%
<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

## invest indicators

### business and investment activity

The province did well in 2005, with improvements in a number of areas of the economy occurring simultaneously – high energy, mineral and metal commodity prices, a strong high-tech sector, gas in the northeast, a turnaround in the fiscal position of the BC government, and a shifting of trade patterns toward booming opportunities with China.<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 northwest region of the province, which includes the NCDR, saw approximately \$100 million in exploration expenditures.

One negative development in the past year was the strong Canadian dollar, which has put a squeeze on some parts of the economy. The pulp and paper industry has been the hardest hit,<sup>39</sup> with many forest-manufacturing companies generated lower than expected earnings because of this and falling prices, and higher manufacturing and distribution costs.<sup>40</sup>

The private sector is making significant capital investment in the NCDR, as it is throughout the province. The greatest share of investment in the NCDR is the development of utilities related to power generation, the majority being private-funded. In the third quarter of 2005, there were nine projects in the power industry proposed or underway.<sup>41</sup> This comprises over one third of all projects in the NCDR. Other private sector investment includes seven proposed mining developments, five projects in the transportation and warehousing industry, one new manufacturing facility, and one commercial development. Public sector investment in the NDR includes two transportation projects and a project to protect salmon on the Nechako River.

The BC Major Projects Inventory estimates that, as of the third quarter of 2005, construction had started on \$340 million worth of projects in the NCDR, with another \$9.4 billion proposed.<sup>42</sup> The largest projects under construction in third quarter of 2005 included the \$223 million Forrest Kerr Hydroelectric Project in the Stewart region, the Eurocan Power Project in Kitimat (\$25 million), the North Island Power Plant in Port Clements (\$15 million), Nisga'a Highway improvements (\$52 million) and the Qay'llnagaay Heritage Centre Development on the south end of Graham Island in the Queen Charlottes



<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> Ibid.

(\$25 million). Other major investments proposed to proceed in the region in 2006 include the Galveston Liquid Natural Gas Terminal in Kitimat (\$500 million), the Prince Rupert Liquid Natural Gas Terminal (\$300 million), the Prince Rupert Port expansion (\$500 million), and three mining projects<sup>43</sup> near Iskut in the northern part of the Kitimat-Stikine Regional District (\$428 million total).

## incorporations and bankruptcies

The NCDR saw an increase in the number of business incorporations during 2005. Between 2004 and 2005, the number of incorporations grew by a dramatic 25.7% to 88. This was the largest annual gain within the past five years. While this outpaced the provincial growth rate of 25.2%, annual incorporations are still substantially lower than levels seen in the 1990's when times were more robust.<sup>44</sup> However, it does point to a stronger investment climate in the NCDR in 2005.

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

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Business Incorporations	94	79	70	77	70	88	-6.4%	25.7%
Business Bankruptcies <sup>45</sup>	9	12	7	20	13	15	66.7%	15.4%

Source: BC Statistics.

Unfortunately the news about business bankruptcies was not as good. The number of bankruptcies in the NCDR increased by 15.4% in 2005 to 15. Kitimat and Prince Rupert saw increases in bankruptcies while Terrace saw a decline.<sup>46</sup>

## business establishments

The flurry of investment activity in BC during the past few years has created many 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 North Coast Development Region – All Sizes, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
North Coast DR	3,908	4,131	3,949	3,949	3,909	3,725	-4.7%	-4.7%
<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



<sup>43</sup> Red Chris Porphyry Copper/Gold (\$228 million), Scharf Creek Porphyry Copper/Gold (\$100 million), and Mount Klappan Coal (\$100 million) projects.

<sup>44</sup> BC Statistics, *British Columbia Incorporations by Development Region, Regional District and Municipality*, January 2006.

<sup>45</sup> Business bankruptcy data represents the cities of Kitimat, Prince Rupert & Terrace.

<sup>46</sup> Source: [http://strategis.ic.gc.ca/epic/internet/inbsf-osb.nsf/vwapj/Business\\_Bankruptcy\\_Rates\\_by\\_Major\\_Urban\\_Centre.xls/\\$file/Business\\_Bankruptcy\\_Rates\\_by\\_Major\\_Urban\\_Centre.xls](http://strategis.ic.gc.ca/epic/internet/inbsf-osb.nsf/vwapj/Business_Bankruptcy_Rates_by_Major_Urban_Centre.xls/$file/Business_Bankruptcy_Rates_by_Major_Urban_Centre.xls)

<sup>47</sup> BC Statistics, Ministry of Labour and Citizen's Services, *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.



## invest indicators

The NCDR accounts for 1% of BC's business establishments. Business formation in the NCDR was well below the provincial pace between 2000 and 2005. The region, in fact, saw a loss of 183 business establishments during this period. While there was considerable growth in the number of businesses with no employees until 2004, the number of establishments employing more than one worker declined throughout the period.<sup>49</sup> In 2005, the region lost over 184 businesses. The only category that experienced growth between 2004 and 2005 was those business establishments who employ 20 to 49 employees.

## conclusions

In 2005, the NCDR saw improvement in several of areas of the economy – making it a better place in which to live, work and invest. A decline in the development region's dependency on the social safety net **and** the unemployment rate, served to close the gap with provincial averages for both indicators. Job creation in 2005 reached levels unseen in the past decade.<sup>50</sup> Furthermore, the northwest region of BC, which includes the NCDR, has benefited from the lion's share of an incredible year of mineral exploration in BC. Over 45% of 2005 provincial expenditures are attributed to activity in the northwest. With the expectation that commodity prices will remain high over the short to medium term,<sup>51</sup> mineral finds in the exploration and development feasibility phase may be converted to operational mines. This represents considerable future job and wealth creation in the NCDR and the province. Future investment in the NCDR also appears extremely encouraging, with an estimated \$9.4 billion in new projects proposed – almost 21% of all planned investment in BC.<sup>52</sup> This is a tremendous improvement over present levels.

However, some areas of concern were revealed in the regional data. As of 2003, real pre-tax income per capita in the NCDR was, by far, the lowest in the province, while real average earnings per taxfiler in the Kitimat-Stikine region were just below the provincial average. This observation, combined with the fact that the NCDR still has the highest dependency on the social safety net in BC, points to serious income disparity within the development region. Second, while there appears to be reasonable access to post-secondary education in the NCDR, not all youth are staying in school. However, recent new job prospects, which may lure some youth out of school prematurely, may partially explain why the non-graduation rate has increased in the Kitimat-Stikine Regional District since 2001/02. And thirdly, although business incorporations rose dramatically in 2005, all is not rosy in the business sector. In the same year, business bankruptcies increased and the rate of decline in the number of business establishments was the largest in the province.



<sup>49</sup> The NCDR saw net gain of 382 small business establishments between 2000 and 2004, followed by a net loss of 145 in 2005, and a net loss of 362 business establishments with 1-19 employees between 2000 and 2005.

<sup>50</sup> Employment data represents Nechako Development Region as well.

<sup>51</sup> TD Economics, *British Columbia's Golden Decade*, March 29, 2006.

<sup>52</sup> Ministry of Small Business and Economic Development (September 2005). *BC Major Projects Inventory*.