



North Coast Development Region



The North Coast Development Region (NCDR) is situated in Northwest BC, bound by the Gwaii Haanas National Park Reserve on the southern tip of the Queen Charlotte Islands in the southwest, Telegraph Creek and Iskut in the North and New Hazelton in the east. With a total land area of 124,243 km², the region comprises 13.5% of the province.

In 2011, the NCDR's population reached 58,793, or 1.3% of BC's total population.¹ The majority of residents (66%) reside in the Kitimat-Stikine Regional District with the remaining inhabiting the Skeena-Queen Charlotte Regional District, and Last year, the NCDR's population increased by 57 persons, or 0.1%. The region's largest centres are Prince Rupert, Terrace, and Kitimat.

The NCDR's economy has evolved beyond its historic base of fishing, forestry, and mining to include a mix of new vibrant industries. Resource industry market diversification into Asia, strong commodity prices, and increasing demand for green energy have all presented the region with unprecedented investment and employment prospects. As a result, numerous large-scale projects related to power generation, distribution and transmission, mining, port and industrial development, and pipelines are either underway, or are planned to start in the coming decade to take advantage of these opportunities.

Prince Rupert, the North Coast's largest city, has benefitted from transportation-related projects and will continue to do so. The city is the North American entry point to the North West Transportation Corridor, linking fast-growing Asian markets to major North American centres. The expansion of the port in 2007 transformed

¹Statistics Canada, Population Estimates as of July 1st, CANSIM Table 051-0049.

it into a state-of-the-art container terminal, and opened up additional transportation-supporting opportunities such as logistics, ship-fuelling, and freight-forwarding. Several sizeable wind-generated energy developments near the city are in the planning phase.

Strategically located, Terrace is the North Coast's hub for highway, rail, and air transportation routes and is a key service and supply centre. The Northwest Transmission Line, local mining exploration, and massive projects that are planned to begin in 2012 in neighbouring Kitimat are expected to benefit Terrace's retail, service, and supply centres.

Kitimat's secure hydroelectric supply, deep water harbour in a strategic location, flat land, and substantial sand and gravel resources have thrust it into the national media this year, with LNG and petroleum producers proposing to use it as a trans-shipping point for their products en route to Asia. In the past several years, the city has lost two key manufacturers, the Methanex Plant and the Eurocan Pulp Mill, along with over 600 direct jobs. However, substantial upgrades to the aluminum smelter and projects related to the transportation and liquefaction of natural gas are in the works, which promise to bring vitality back to the city.

Last year, Northwest BC led the province in employment growth as construction on several of these projects commenced. Other signs that the economy is gearing up for a transition include a surge in new business incorporations, and a substantial jump in the value of commercial (117%) and residential (30%) building permits. In the rest of BC, economic performance was mixed in 2011, a response to a sputtering US economy, turbulent international equity markets, financial strain in Europe, and Japan's short-term tsunami-driven recession. However, a 14.2% jump in international exports, mainly due to an increase in the value of coal shipments (35.7%) brightened the economic picture² for some regions. The volume of coal that passed through Prince Rupert's Ridley Terminal in 2011 was up 27%, with much of this destined for Pacific Rim countries.

WORK Indicators

Job Creation

The labour market in Northwest BC improved in 2011, following two years of job losses. Employment grew by 2,900 jobs (7.2%), a welcome improvement that helped offset the accumulated losses of 2009 and 2010 (-4,400 jobs). Last year's job creation in the services-producing sector (3,000 jobs) offset a slight loss sustained by Northwest BC's goods-producing industries (-100 jobs). Full time positions accounted for just over half of all job growth.

Employment in Northwest BC's **services-producing** sector reached its highest level in nearly a decade in 2011. Industries that contributed the most to this gain were educational services (2,100 jobs), reflecting an increase in workers at primary and secondary institutions, and other services (1,100 jobs).³ While the magnitude of last year's job creation in educational services is difficult to justify,⁴ employment fluctuations in other services,



² BC Stats, Exports (BC Origin) 2002-2011, March 2012.

³ Other services has gained at least 1,100 workers—the 2010 value is suppressed (1,500 or less) and employment in the industry reached 2,600 in 2011.

⁴ This is a 45% increase over 2010, which does not seem probable given that the population grew by just 57 people. Statistics Canada's estimates of employment by industry are derived from sample surveys and they caution users that while the reliability of the survey is adequate at the provincial level, margin of error increases in smaller sub-groups.

⁵ RBC Economics, Provincial Outlook, December 2011.

which includes a broad array of personal and repair services, often corresponds with economic vitality. Other noteworthy service sector employment gains were in transportation and warehousing (700 jobs), a response to increased shipments through the Port of Prince Rupert and the growing demand for transportation services, such as trucks and cargo handlers, air transportation, and taxicabs as the economy began to heat up last year.

Conversely, employment in retail trade tumbled last year (-1,400 jobs), reflecting a similar trend at the provincial level. According to RBC Economics, retail sales, adjusted for inflation, fell in the province during the first eight months of 2011.⁵ Job loss in professional, scientific and technical services (-700 jobs) came on the heels of an impressive gain in the previous year (1,100 jobs). This loss is difficult to explain given the substantial increase in both exploration expenditures (22%)⁶ and major project development in the Northwest last year—activities that often demand workers with professional, scientific, and technical skills.

Workforce expansion in construction (1,300 jobs) was not sufficient to offset job losses in forestry, fishing, mining, oil and gas (-900 jobs) and manufacturing (-700 jobs) in Northwest BC's goods-producing sector. Although the overall dollar value of building permits mushroomed in the North Coast last year,⁷ it was major project activity, such as the Northwest Transmission Line and the Forrest Kerr Hydroelectric Project, and the Mount Milligan Mine⁸ development in the Nechako that generated substantial employment for construction workers.

The fishing industry on the North Coast was dealt another blow late in the year as JS McMillan Fisheries closed its doors permanently, laying off 82 workers. The company cited declining volumes of fish and low prices as the reason for this decision.⁹ The employment downturn in the resource industries also points to a labour shortage of loggers, haulers, operators, and skilled workers. Increasing demand for commodities and natural resources has put pressure on production, while at the same time baby boomers are retiring. This is affecting both primary and secondary manufacturing industries.

Northwest BC recorded the largest employment growth (7.2%) among the Development Regions last year, followed by the Kootenays (3.9%). In contrast, the labour market in the Thompson-Okanagan and Vancouver Island/Coast contracted (-1.0% and -4.4% respectively).



⁶ Ministry of Energy and Mines, *Exploration and Mining in BC 2011, January 2012*.

⁷ BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts, by Type 2003 – 2011, 2011 Preliminary, March 1, 2012*.

⁸ Located in the Cariboo Development Region, but the Nechako supplies much of the works as access to the site is via Fort St. James.

⁹ Shaun Thomas, *The Northern View*, "No deal for Reduction Plant in Prince Rupert as JS McMillan Shuts Down Processing Plant", October 31, 2011.

Table 1-1: Employment, Northwest BC, 2006 to 2011¹⁰

							Job Creation (000)	
	2006	2007	2008	2009	2010	2011	5-Year 2006-11	1-Year 2010-11
TOTAL EMPLOYMENT (000)	42.8	42.0	44.8	41.5	40.4	43.3	0.5	2.9
Goods-Producing Sector (000)	13.8	13.6	13.6	12.4	11.4	11.3	-2.5	-0.1
Agriculture	1.5	-	-	-	-	-	-1.5	-
Forestry, fishing, mining, oil and gas	3.0	2.8	3.5	2.5	3.3	2.4	-0.6	-0.9
Utilities	-	-	-	-	-	-	-	-
Construction	3.0	2.3	2.6	2.9	2.1	3.4	0.4	1.3
Manufacturing	6.2	7.1	7.0	6.3	5.5	4.8	-1.4	-0.7
Services-Producing Sector (000)	29.0	28.4	31.2	29.1	29.0	32.0	3.0	3.0
Trade	5.7	7.1	7.2	6.7	6.9	5.5	-0.2	-1.4
Transportation & warehousing	4.1	3.1	3.2	2.8	3.0	3.7	-0.4	0.7
Finance, insurance, real estate & leasing	-	-	1.6	-	-	-	-	-
Professional, scientific & technical services	1.9	1.5	-	1.5	2.6	1.9	0.0	-0.7
Business, building & other support services	-	1.8	-	-	-	-	-	-
Educational services	4.0	2.7	2.6	3.0	2.6	4.7	0.7	2.1
Health care & social assistance	4.4	3.8	4.8	4.9	5.1	5.2	0.8	0.1
Information, culture & recreation	-	-	-	-	-	-	-	-
Accommodation & food services	2.5	3.1	3.6	3.1	2.4	3.0	0.5	0.6
Other services	-	-	-	1.9	-	2.6	-	-
Public administration	-	2.1	2.9	2.2	2.0	1.9	-	-0.1

Source: Statistics Canada, Labour Force Survey Historical Review



¹⁰ Industries with "-" 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 cannot be calculated. ¹¹

Unemployment Rate

The unemployment rate measures the number of unemployed individuals as a percentage of the labour force, and represents the balance of labour supply and demand. In 2011, Northwest BC's unemployment rate declined by 1.6 percentage points (ppt), to reach 8.6%. Although more people entered the labour force in 2011, the number of new jobs outstripped growth in the number of workers, resulting in a lower unemployment rate.

Table 1-2: Unemployment Rate, Northwest BC, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Northwest BC	6.8	8.1	7.8	10.6	10.2	8.6	1.8 ppt	-1.6 ppt
British Columbia	4.8	4.3	4.6	7.7	7.6	7.5	2.7 ppt	-0.1 ppt

Source: Statistics Canada

After the Northeast (-1.9 ppt), this was the biggest improvement in BC last year. Nevertheless, Northwest BC's unemployment rate still remains the highest in the province—but the gap is closing. In 2011, the lowest unemployment rates recorded among the Development Regions were in the Northeast (4.9%) and Mainland/Southwest (7.3%).

Labour market opportunities for youth in Northwest BC improved dramatically last year, with the creation of 2,300 jobs (71.9%). This job growth outpaced the expansion of the labour force, with a resulting 15.5 ppt decline in the youth jobless rate to 8.3% in 2011. Not only is this lower than the region's general rate of unemployment, it is the first time in at least a decade that the Northwest BC youth unemployment rate has fallen below the provincial youth average. The jobless rate for youth in Northwest BC is now the third lowest in the province, after the Northeast (4.7%) and Kootenays (6.8%).

Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Northwest BC, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Northwest BC	11.8%	12.8%	12.1%	15.1%	23.8%	8.3%	-3.5 ppt	-15.5 ppt
British Columbia	6.5%	6.1%	6.8%	11.1%	11.3%	11.5%	5.0 ppt	0.2 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table

Labour Force Survey statistics indicate youth job creation was distributed equally between the North Coast and Nechako Development Regions in 2011. It is likely the worker shortages in the resource sector that began to surface last year opened up job opportunities for young workers.

INVEST Indicators

Business and Investment Activity

Capital investment is a key factor in the long-term economic growth and productivity of a region's economy. Although investment spending in BC increased at a steady rate last year, with the total value of major projects proposed, underway, completed, or on hold rising by 6.8%,¹¹ it was the magnitude of major project activity in Northern BC that stood out.

The total value of investments in the NCDR increased from \$37 to \$44 billion (17.1%) when comparing the fourth quarters of 2010 and 2011. New projects (\$4 billion) in the proposal stage drove most of last year's growth. While the value of major projects under construction has stagnated for at least five years, in 2011, new major project construction activity increased (\$1.4 billion). The estimated cost of the Galore Creek Mine project, which is on hold pending a new mine plan, was revised upwards, and accounts for the remainder of last year's investment growth (\$1.0 billion). Galore Creek has one of the world's largest undeveloped copper-gold-silver deposits.

Construction activity was brisk on the North Coast last year, with the value of projects under construction increasing to \$2.3 billion (145%) by the fourth quarter of 2011, with four new developments moving ahead. The largest of these, the Forrest Kerr Hydroelectric Project (\$700 million), is a run-of-river electricity generation project on the Iskut River that will supply power, via BC Hydro's Northwest Transmission Line (\$561 million), to industrial developments in the area. The Transmission Line will originate in Terrace and run north approximately 340 kilometres along Highway 37. Regarded as a catalyst for the economic renewal in Northwest BC, it will distribute clean power to new industrial developments, enable new renewable energy generation projects, and allow rural communities to access the electricity grid. Other investment projects in the region, including Imperials Metals Red Chris project, which are situated along the Highway 37 corridor, will also provide significant economic impact to the Nechako region, as Smithers is a key service centre for these projects.

Both the Forest Kerr and Northern Transmission projects are anticipated to be complete by 2014. Other new developments in the construction phase are also related to power generation: Stewart's Long Lake Power Project (\$100 million) and the Dasque-Middle Hydro Project (\$50 million) near Terrace. The phase two expansion of the Prince Rupert Port facilities (\$650 million),¹² which will increase the port's capacity by 1.5 million containers annually,¹³ is expected to commence in early 2012.

According to the December 2011 BC Major Projects Inventory, 50 capital projects in the NCDR worth \$33 billion were in the proposal stage last year. Proposed investments, which have more than doubled in the past five years, are primarily in mining (gold, molybdenum, copper and coal), hydro-electric power, wind, wood waste and associated transmission lines, and infrastructure development, such as oil, natural gas and condensate pipelines, LNG plants, and the expansion of port facilities and terminals to facilitate the transportation of goods.

Eight new projects, valued at \$8.6 billion, are slated to commence construction in 2012. The largest, the Kitimat Aluminum Smelter Expansion (\$3.3 billion), Kitimat Liquid Natural Gas Terminal (\$3 billion), and the Kitimat to



¹¹ BC Ministry of Finance, *BC Major Projects Inventory, December 2011*. Note: Period of reference is fourth quarter 2010 to fourth quarter 2011.

¹² Phase I construction (\$170 million) was complete in 2007.

¹³ TEUs—Twenty-foot equivalent unit.

Summit Lake Pipeline (\$1.2 billion) have been scheduled to go ahead for several years. In late 2011, Rio Tinto gave the final green light to go ahead with the Kitimat Aluminum Smelter modernization and has committed to finish the project by 2014.¹⁴ Kitimat LNG has been granted a licence to export liquefied natural gas from British Columbia. This will clear the way for new trade with Asia, one that stands to significantly alter Canada’s energy geography.¹⁵

Last year, the BC Ministry of Transportation completed the \$18 million Klemtu Ferry Terminal expansion, which included a ferry berth located in deeper water to accommodate larger capacity BC Ferries vessels. A more reliable and frequent ferry service is anticipated to generate economic opportunities, primarily related to tourism, for the community.

Incorporations

Business incorporations are key indicators of business success or failure, and have a direct bearing on commercial and investor confidence. In 2011, the number of new business incorporations in BC increased slightly (1.8%). After two years of decline, the NCDR recorded a substantial jump in this indicator (23.7%) to rank first in growth in the province. The Nechako (12.5%) and Northeast (11.5%) ranked second and third, and at the other end of the spectrum, the Vancouver/Island Coast (-2.2%) and the Thompson-Okanagan (-3.9) placed seventh and eighth.

Table 1-4: Business Incorporations, North Coast Development Region, 2006 to 2011

	2006	2007	2008	2009	2010	2011	Percentage Change	
							5-Year 2006-11	1-Year 2010-11
Business Incorporations	90	106	108	85	76	94	4.3%	19.2%

Source: BC Stats

Business Establishments

Following three years of strong growth, in 2011, the total number of businesses operating in BC shrank by 0.4%. In the NCDR, the number of establishments declined by 1.7% (-58)—the largest drop in the province, and the fourth consecutive year of business establishment loss in the region.



¹⁶ Rates are as of September for each year. A recipient is defined as “each person living in a family or living alone that is receiving basic Income Assistance”. These figures include those on Temporary Assistance (Expected to Work, Expected to Work - Medical Condition, Temporarily Excused, Persistent Multiple Barriers). Excluded are those on Continuous Assistance (Persons with Disabilities), Children in the Home of a Relative, OAS/Seniors and aboriginals living on reserve.

Table 1-5: Number of Business Establishments – all sizes, North Coast Development Region, 2007 to 2011

Region	2007	2008	2009	2010	2011	Percentage Change	
						4-Year 2007-11	1-Year 2010-11
North Coast	3,408	3,379	3,372	3,359	3,301	-3.2%	-1.7%
British Columbia	360,779	360,882	362,665	370,262	368,879	2.2%	-0.4%

Source: BC Stats

Sole proprietorships (-26), operations with 1-19 employees (-27), and operations with 50+ employees (-15) were responsible for last year's losses. The largest decline in business establishments occurred in the forestry and fishing industries, as small business owners and their employees found more lucrative employment opportunities elsewhere.

LIVE Indicators

Educational Attainment

Statistics Canada aggregates labour force educational attainment data for the North Coast and Nechako Development Regions into Northwest BC.

The education level of an economy's labour force is tied to productivity and its potential for generating future wealth. The share of Northwest BC's labour force, age 25 to 54, with a post-secondary certificate/diploma or higher, rose for the fourth straight year to reach 59.3% in 2011. Last year's gain was the second largest in the province. Despite this improvement, Northwest BC still ranks fifth among the Development Regions in educational attainment. The Mainland/Southwest ranked first at 68.4%, followed by Vancouver Island/Coast and Kootenay Development Regions (64.0% and 63.2%). Regardless, the region has made substantial progress over the last five years in this indicator.



Table 1-6: Percent of Labour Force Age 25 to 54 With a Post-Secondary Certificate/ Diploma or Higher, Northwest BC, 2006 to 2011

Region	2006	2007	2008	2009	2010	2011	Percentage Point (ppt) Change	
							5-Year 2006-11	1-Year 2010-11
Northwest BC	51.3%	44.7%	47.7%	50.8%	54.0%	59.3%	8.0 ppt	5.3 ppt
British Columbia	61.0%	61.7%	62.6%	63.0%	64.4%	65.9%	4.9 ppt	1.5 ppt

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

The improvement in this indicator in Northwest BC was due to an increase in the number of workers with a post secondary certificate or diploma (1,500) and an education that was above a bachelor's degree (300). These gains are directly correlated to workforce expansion in industries such as educational services, transportation, and construction that demand mostly skilled employees.

Dependency on the Social Safety Net

The number of adult basic income assistance recipients as a percent of the population corresponds with labour market vitality, although there is a share of the population that is dependent upon income assistance because they are unable to work.

New job opportunities in the North Coast last year allowed many workers who had been collecting social assistance to return to the work force. As a result, the number of basic income assistance recipients as a percent of the population aged 19 to 64 declined by 4 percentage points to 4.8%. Dependency in the Kitimat-Stikine Regional District plummeted (-6 ppt), the largest drop in the province last year, but the need for the social safety net increased (1 ppt) in the Skeena-Queen Charlotte.

Table 1-7: Basic Income Assistance Recipients as a Percent of the Population, Age 19 to 64, North Coast Development Region, 2008 to 2010¹⁶

Regional District	2008	2009	2010	2011
Skeena-Queen Charlotte	5.0	5.3	6.3	6.4
Kitimat-Stikine	3.4	4.2	4.7	4.1
Development Region Total	4.0	4.6	5.2	4.8
British Columbia	1.5	1.9	2.0	2.0

Source: BC Stats.

Despite the substantial improvement, the North Coast's income assistance dependency rate remained the highest in BC last year. Regions with the lowest dependency rates include the Northeast (1.2%) and the Mainland/Southwest (1.7%). Province-wide, the percent of population dependent on Basic Income Assistance remained at 2.0%.



Conclusions

After many years of anticipation, the natural resources of the North Coast are finally about to be unleashed. Last year's performance just scratched the surface—accordingly, many of our indicators are positive, but others are not, a sign that the economy is still in the process of gearing up. The labour market expanded in 2011, with full-time positions accounting for most of the job creation, but the unemployment rate remains the highest in BC. Employment opportunities for the region's young people, however, swelled in the past year with the youth unemployment rate falling below the provincial average. New job opportunities for individuals with a higher education boosted the educational attainment of the labour force which will raise personal incomes. Although dependence on the social safety net tumbled, the region's dependency rate still remains the highest in the BC.

The value of major projects under construction soared last year, and incorporation growth jumped, both signs of a rapid improvement in the business climate. The loss of business establishments in the resource industry last year points to increasing competition for workers as the North heats up.

The magnitude of major projects set to proceed in 2012 is staggering, and will inject a substantial amount of money into the regional economy. Many are saying the North Coast will lead the province in economic growth next year. There are concerns, however, that this could lead to labour shortages in the resource industry and construction sector. Forest Kerr and Northern Transmission Line are expected to generate more jobs at the peak of construction activity, and projects slated to go ahead in Kitimat next will require many more workers. Furthermore, these shortages are expected to intensify in the years to come as other developments, such as mines and power projects, proceed once the Northwest Transmission Line is in place. Although recruitment strategies at the provincial, national, and international level are already in progress, efforts are also underway to develop the skills of the local labour force so they will be able to fill many of these positions.

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.
- **Job creation:** Change in number of employed individuals between two given years.
- **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.
- **Unemployment rate:** Share of employable labour force looking for work but unable to find it.