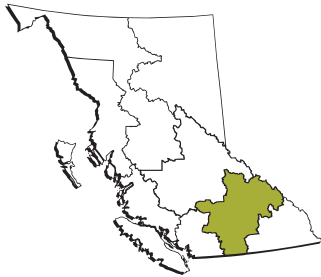


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Thompson-Okanagan Development Region

Thompson-Nicola • Columbia-Shuswap • North Okanagan • Central Okanagan • Okanagan-Simikameen



The Thompson-Okanagan Development Region (TODR) comprises five regional districts, the Thompson-Nicola, Columbia-Shuswap, North Okanagan, Central Okanagan, and Okanagan-Similkameen, and has a total land area of 94,310 km². In 2005, the TODR had a population of 513,482,¹ representing 12.1% of the provincial total and making it the third most-populated development region in BC. The population within the TODR is concentrated primarily in the Central Okanagan and Thompson-Nicola Regional Districts.

The TODR's economy is increasingly diversified with agriculture, forestry, mining, manufacturing and tourism being its chief drivers. It is the province's most productive fruit tree and grape growing area, with rising employment and revenues from wine production. Forestry, which has traditionally been the region's primary economic force, had set backs from the pine beetle infestation, major fires, and the US-Canada softwood lumber dispute but remains a key contributor to the local economy. The TODR is home to Canada's largest copper mine, Highland Valley Copper, and is seeing a resurgence in exploration and the opening of some mines due to high commodity prices. Manufacturing activities, which have historically been based on these three primary sectors, now also include new industries including aerospace, high-tech, and medical equipment manufacturing. The TODR's favourable climate has been a major draw for tourism and retirees, particularly in the Central Okanagan Regional District, which has recently experienced extensive construction and development.



¹ BC Statistics.

The TODR's population grew by 6.4% between 2000 and 2005, the second-largest growth rate in the province after the Northeast Development Region.² Last year, the population of the TODR rose by 2%, the highest growth rate in the province, to reach 513,482.³ Over both periods, the Central Okanagan Regional District accounted for more than half of the growth. Population growth in the region has been entirely due to net in-migration and reflects the region's attractiveness for retirees. In-migration is expected to continue at current levels, fueling population growth in the region of 40% between 2005 and 2031 to reach 665,585⁴ or an average growth rate of 1.53% per year.

live indicators

income

Real income and its growth provide a tangible measure of how well-off people living in each development region are relative to other parts of the province. Real pre-tax income⁵ per capita⁶ in the TODR rose 2.3% between 2000 and 2003.⁷ This increase was contrary to the provincial average, which declined slightly over the same period, and was the second-largest gain within the province after the Northeast Development Region, reflecting strong growth experienced by both regions.

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

Region	2000	2001	2002	2003	Percentage Change	
					3-Year 2000-03	1-Year 2002-03
Thompson-Okanagan DR	19,549	19,574	19,759	20,000	+2.3%	+1.2%
British Columbia	21,686	21,373	21,378	21,541	-0.7%	+0.8%

Source: British Columbia Neighbourhood Income Demographics, BC Statistics.

What explains income growth in the TODR? Real employment income per taxfiler⁸ grew by 4.6% between 2000 and 2003, exceeding the provincial growth rate of 1.3% and raising its proportion of total income in the region from 65% to 67%.⁹ During this period, the TODR was one of only three regions in the province to experience job growth, the others being the Northeast and Mainland/Southwest Development Regions. Total employment in the TODR grew by 4%, showing significant gains in agriculture; construction; transportation and warehousing; and information, culture, and recreation.¹⁰

On a per capita basis, residents in the TODR earn less than the provincial average. However, this is not a sign that **earned income** is lower than the provincial average. The region's employment income as a share of total income is one of the lowest in the province, a result of the region's higher than average number of retirees.¹¹ Earnings of retirees have reduced the TODR's average income per capita, as retirement income is generally lower than employment income.



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

³ BC Statistics

⁴ BC Statistics, Ministry of Labour and Citizen's Services, *Population Projections (2005-2031)*, May 2005.

⁵ 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.

⁶ Real pre-tax income per capita refers to total real pre-tax income adjusted for inflation, divided by the total population.

⁷ BC Statistics, *British Columbia Neighbourhood Income Demographics*, 2000 to 2003 adjusted for inflation.

⁸ Real employment income per taxfiler refers to total employment income (including wages and salaries, commissions from employment, training allowances, tips and gratuities and all income from self-employment (business, professional, farming, fishing income and commissions) adjusted for inflation, divided by the total number of people who filed a personal tax return.

⁹ BC Statistics, *British Columbia Neighbourhood Income Demographics*, 2000 to 2003 adjusted for inflation.

¹⁰ Statistics Canada, *Labour Force Survey*, CD1, Table 33AN.

¹¹ In 2005, 17.8% of the Region's population was 65 years and older as compared to the provincial average of 13.4%. Source: BC Statistics, Ministry of Labour and Citizen's Services, *Population Estimates and Projections by Standard Age Groups, 1986-2005*.

Although available pre-tax income figures are two years out-of-date, the region has experienced strong employment growth since 2003 that remains ahead of the region's population growth and provincial job growth.¹² These facts suggest that the TODR continues to make positive gains in pre-tax income.

educational achievement

The growing need for a more-highly educated work force, and the link between educational attainment and earning power have been well-documented.¹³ As a result, basic educational attainment is important not only to ensure the economic well-being of individuals but economic growth and progress throughout the province. Between 2002/03 and 2004/05, just over 24% of 18 year olds in BC did not graduate from high school. In comparison, only two regional districts within the TODR, Okanagan-Similkameen and North Okanagan, showed better results. Contrary to the provincial average, which saw a 0.5 percentage point improvement compared to the 2001/02 to 2003/04 period, all but one regional district within the TODR¹⁴ saw an increase in non-graduates.

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

Regional District	Average 2001/02-2003/04	Average 2002/03-2004/05
Okanagan-Similkameen	20.9	21.5
Thompson-Nicola	30.9	31.4
Central Okanagan	30.3	31.5
North Okanagan	23.5	23.6
Columbia-Shuswap	25.6	27.0
British Columbia	24.9	24.4

Source: BC Statistics

The reasons for not completing high school are complex,¹⁵ including personal problems, the availability and perception of educational opportunities, parental educational attainment and involvement in education,¹⁶ as well as the availability of well-paying jobs that do not require high school education, such as construction. The strength of the TODR's economy and job creation over the last five years, particularly a doubling of construction jobs, and 25% to 40% increases in agriculture; information, culture, and recreation; and accommodation and food services; suggests a compelling motivation for youth choosing not to complete high school. This conclusion is corroborated by the 10 percentage point decrease in youth unemployment in the region from 16.6% in 2000 to 6.6% in 2005.¹⁷



¹² 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.

¹³ Human Resources and Skills Development Canada, *Youth in Transition Survey*, 2002.

¹⁴ The exception is deemed to be the North Okanagan as a 0.1 change is judged to be too small to be noted.

¹⁵ Human Resources and Skills Development Canada, *Youth in Transition Survey*, 2002.

¹⁶ 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.

¹⁷ Statistics Canada.

live indicators

While the increase in number of youth in the TODR not completing high school may not currently be linked to increased unemployment and social dependence, due to the current strong job market, this situation may not always be the case. This trend presents concerns not only about the vulnerability of youth without high school education but also on the region's future economic progress and ability to compete given the high demand for knowledge and skills in the future labour market.¹⁸

dependency on the social safety net

Dependence on the social safety net measures the extent to which people living in the TODR participate in the economy and provides another indicator of how well people in the region are doing relative to other parts of the province. During the past five years, all areas in the TODR steadily reduced their dependency on Income Assistance and Employment Insurance. In addition, the Central Okanagan Regional District's dependency rate was slightly lower than the provincial average in three out five of these years. Job growth, particularly in construction, which is normally one of the highest EI claim groups in the TODR,¹⁹ is a major reason for this improvement.

Table 3: Basic Income Assistance Recipients and EI Beneficiaries as a Percent of the Population Aged 19-64, Thompson-Okanagan Development Region, 2001 to 2005²⁰

Region	2001	2002	2003	2004	2005
Okanagan-Similkameen	8.2	6.3	5.4	4.7	4.0
Thompson-Nicola	9.3	7.3	6.0	4.9	4.6
Central Okanagan	7.5	5.7	5.1	4.1	3.6
North Okanagan	8.7	6.8	6.0	4.6	4.1
Columbia-Shuswap	7.8	6.2	6.0	4.4	4.0
Development Region Total	8.3	6.4	5.6	4.5	4.0
British Columbia	7.0	6.1	5.1	4.2	3.7

Source: BC Statistics.



work indicators

job creation

Job creation in the TODR accelerated over the last three years, after being flat between 2000 and 2002, reaching a five-year high rate of growth of 6.2% in 2005. Total employment in the region has increased by 33,700 jobs or 16% since 2000, the highest rate of increase in the province over this period. In fact, the TODR led the province between 2000 and 2005 in the rate of growth of both goods-producing (26.5%) and service-producing jobs (12.6%).



¹⁸ British Columbia's Ministry of Advanced Education estimates that over 65% of jobs in the province require post-secondary training.

¹⁹ Ibid.

²⁰ Rates are as of September for each year.

work indicators

The **service-producing sector** has accounted for 20,100 new jobs, or 60% of total job creation in the region since 2000. All but three groups (business support services, education, and other services) showed gains over this period. Growth in 2005 continued with two additional exceptions (information, culture, and recreation; and transportation and warehousing). In 2005, the top employment gains were in professional, scientific, and technical services (5,200 new jobs); accommodation and food services (3,500 new jobs); finance, insurance, and real estate (3,300 new jobs); and health care and social assistance (3,200 new jobs).

With the exception of professional, scientific and technical service industries, job growth in these sectors is readily explained by the TODR's high population growth. In addition, the TODR's increase in tourism room revenues (7.5%), which was the third-highest in the province in 2004 after the Northeast and Vancouver Island/Coast Development Regions, provides further justification for job growth in accommodation and food services.

In contrast, job losses were recorded in business support services (-3,700 jobs), information, culture, and recreation (-2,700 jobs); other services (-2,400 jobs); education (-1,700 jobs); and transportation and warehousing (-400 jobs). However, the gains made in the other industries in the service-producing sector more than made up for these losses.



Table 4: Employment in the Thompson-Okanagan Development Region, 2000 to 2005²¹

	2000	2001	2002	2003	2004	2005	Job Creation (000)	
							5-Year 2000-05	1-Year 2004-05
TOTAL EMPLOYMENT (000)	210.3	210.2	208.1	218.8	229.7	244.0	33.7	14.3
Goods-Producing Sector (000)	51.4	50.1	52.2	52.7	59.1	65.0	13.6	5.9
Agriculture	5.5	4.4	5.5	7.0	7.6	7.0	1.5	-0.6
Forestry, fishing, mining, oil and gas	7.8	5.7	6.9	6.9	5.5	5.5	-2.3	0.0
Utilities	1.5	1.5	1.8	0.0	0.0	0.0	-1.5	0.0
Construction	12.0	14.6	14.3	13.6	18.8	24.1	12.1	5.3
Manufacturing	24.6	23.9	23.6	23.9	26.3	27.1	2.5	0.8
Services-Producing Sector (000)	158.9	160.2	156.0	166.1	170.6	179.0	20.1	8.4
Trade	36.6	35.1	35.7	38.9	37.4	39.7	3.1	2.3
Transportation & warehousing	9.9	9.8	9.4	12.2	12.0	11.6	1.7	-0.4
Finance, insurance, real estate & leasing	10.5	12.3	11.1	10.4	11.3	14.6	4.1	3.3
Professional, scientific & technical services	12.1	9.7	8.7	10.4	9.0	14.2	2.1	5.2
Business, building & other support services	8.0	6.9	8.5	8.3	10.9	7.2	-0.8	-3.7
Educational services	13.0	16.4	13.2	14.1	13.8	12.1	-0.9	-1.7
Health care & social assistance	25.6	25.6	23.7	26.2	26.2	29.4	3.8	3.2
Information, culture & recreation	7.6	8.2	6.9	9.3	13.2	10.5	2.9	-2.7
Accommodation & food services	18.4	16.5	20.1	19.5	19.5	23.0	4.6	3.5
Other services	10.7	10.8	11.6	10.1	10.6	8.2	-2.5	-2.4
Public administration	6.4	8.9	7.1	6.7	6.7	8.4	2.0	1.7

Source: Statistics Canada, Labour Force Survey Historical Review.

Although job creation in the **goods-producing sector** over the last five years was less than that of the service-producing sector, its rate of growth was spectacular, being close to double that of the Mainland/Southwest Development Region, which had the second-highest growth rate (15.1%). In 2005, robust goods-producing job creation continued with the addition of 5,900 jobs, an annual increase of 10%, the highest in the province. Although employment in agriculture, manufacturing and construction all increased over the last five years, construction stands out through the addition of 5,300 jobs in 2005, and 12,100 new jobs since 2000. Like the service-producing sector, population growth and increased tourism are the catalysts of this growth, corroborated by the fact that the number of new residential units constructed in 2005 was more than four times the number seen in 2000.²²

The only goods-producing area that lost jobs last year was agriculture (-600 jobs), while forestry, which saw job losses in 2003, remained stable.



²¹ 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.

²² BC Statistics, *Building Permits by Type*, 2005; BC Statistics, *Community Profiles, Interim Report*, First Quarter 2006.

work indicators

unemployment

Given the strength of job creation over the last five years in the TODR, it is not surprising that the TODR's unemployment rate in 2005 was almost half of what it was in 2000 (5.3% versus 9.3%). The region had the second-lowest unemployment rate in the province after the Northeast Development Region (4.7% in 2005) and was below the provincial average of 5.9%. While the drop in unemployment in the TODR since 2000 was the largest in the province, the decline in unemployment appears to have leveled off, as last year's decline ranked fifth amongst the seven development regions.

Table 5: Unemployment Rate in the Thompson-Okanagan Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Point (ppt) Change	
							5-Year 2000-05	1-Year 2004-05
Thompson-Okanagan DR	9.3%	9.3%	9.4%	8.8%	6.6%	5.3%	-4.0 ppt	-1.3 ppt
British Columbia	7.1%	7.7%	8.5%	8.0%	7.2%	5.9%	-1.2 ppt	1.3 ppt

Source: Statistics Canada.

invest indicators

business and investment activity

The BC economy as a whole has exhibited impressive growth over the past two years, buoyed by extensive construction activity, high commodity and energy prices benefiting mining, high demand for lumber combined with increased cutting to salvage pine beetle affected timber, Asian trade flows, and Olympic preparations.²³ The TODR has been a significant part of this good news story, especially in construction, mining, and forestry.



²³ Scotiabank Group, *Provincial Pulse, British Columbia*, December 2005.

invest indicators

At the end of September 2005, 48 projects²⁴ valued at just under \$6 billion were under-construction in the TODR. The vast majority of this investment (\$4.8 billion or 81%) are residential and commercial developments, much of which is oriented toward the retirement market as well as tourism/resort development. New winter and summer tourism facilities, ranging from golf to ski resort projects with residential components, account for over \$3 billion or half of the total construction in progress. The largest of these include the \$1 billion Rise Golf resort and residential development in Vernon; \$635 million expansion of Sun Peaks Ski resort near Kamloops; \$500 million Predator Ridge golf course expansion, hotel/spa, town centre and residential development; and \$450 million Sun Rivers comprehensive community development in Kamloops.

Other projects under-construction include four highway/road upgrades, a sports complex, expansions to Thompson University and Royal Inland Hospital, improvements to BC Hydro's Mica generating complex, as well as two business/office developments, and one industrial service facility. All together, these non-residential investments total \$1.2 billion.

Another 47 projects valued at almost \$4.5 billion were also proposed in the TODR. Again, the majority of this investment (\$3.2 billion or 71%) are residential/commercial development, with more than half tourism/resort oriented. Proposed developments in other sectors are varied and include two new mine developments and the expansion of the Highland Valley copper mine; seven public infrastructure projects that address increased population demand ranging from sewage treatment, electricity and landfill expansion to highway upgrades and replacement of the Okanagan bridge; two industrial projects; and, six institutional and civic works projects.

The value of development in the TODR, both proposed and under-construction, ranks second-highest within the province after the Mainland/Southwest Development Region. In addition, its variety speaks not only of a response to population growth but a strengthening and diversification of the local economy resulting from public investments in infrastructure that serve to enhance economic competitiveness and efficiency and private investments that respond to these investments as well as the region's population growth and natural attributes.

incorporations and bankruptcies

The TODR recorded its fourth year of positive growth in the number of business incorporations during 2005. Between 2004 and 2005, the number of incorporations grew by a remarkable 44.6% to 2,948, more than four times the rate of growth of the previous three years. The TODR's increase in business incorporations was the second highest in the province after the Northeast Development Region.

Table 6: Business Incorporations and Bankruptcies in the Thompson-Okanagan Development Region, 2000 to 2005

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Business Incorporations	1,695	1,470	1,644	1,820	2,039	2,948	73.9%	44.6%
Business Bankruptcies ²⁵	126	138	155	118	100	105	-16.7%	5.0%

Source: BC Statistics.



²⁴ BC Ministry of Economic Development, *Major Projects Inventory*, September 2005.

²⁵ Business bankruptcy data represents the cities of Kamloops, Kelowna, Penticton, and Vernon.

invest indicators

The number of business bankruptcies in the TODR increased slightly in 2005, but still remained low compared to previous years, and at the second-lowest level in the past decade. Both indicators point to an expanding economy with underlying strength that is attractive to investment.

business establishments

Province-wide, the number of business establishments increased by over 55,000 between 2000 and 2005, with small businesses (0 to 49 employees) accounting for 90% of this growth.²⁶ Notwithstanding the increase in business incorporations in TODR, the region falls below the provincial average in the number of business establishments (see Table 7). While the TODR still ranks third within the province in terms of total number of business establishments and had the highest rate of increase last year, its increase over the last five years ranked fifth within the province. Given that self-employment, which is often a substitute for paid employment, is the fastest growing component of small business expansion,²⁷ this shortfall compared to the provincial average is not surprising, as the TODR has had traditional employer-paid job opportunities in abundance over this period.

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

	2000	2001	2002	2003	2004	2005	Percentage Change	
							5-Year 2000-05	1-Year 2004-05
Thompson-Okanagan DR	34,828	37,809	37,459	38,632	40,123	40,260	15.6%	0.3%
British Columbia	289,832	315,738	315,277	332,418	346,316	345,227	19.1%	-0.3%

Source: BC Statistics and Statistics Canada



²⁶ BC Statistics and Statistics Canada.

²⁷ BC Stats, *Business Counts by Employee Size 1995-2004*, May 2005.



conclusions

The TODR did well during 2005, with the region continuing to attract both tourists and new residents, thanks to its favourable climate, natural beauty, relative affordability, and good employment opportunities. This influx fueled brisk construction activity, an increase in small business and job growth, particularly in construction but also in professional, technical and scientific services; accommodation and food services; finance, insurance, real estate and leasing; and, health care and social assistance. As a result, pre-tax income per capita appears to be on the rise and unemployment and dependence on social assistance are down throughout the region although this rate remains higher than the provincial average.

The only sour note for the region was the decline in the high school graduation rate, which worsened in all the regional districts compared to last year and remains below the provincial average in three of five of the regional districts (Thompson-Nicola, Central Okanagan and Columbia-Shuswap).

Looking forward at the end of the first quarter of 2006, the TODR appears to be heading for another very good year. Although there is some concern about the high Canadian dollar and its effect on tourism as well as lumber exports, construction activity remains brisk; base metal prices have reached all time highs encouraging new mine developments; job growth is strong; and unemployment has reached a 30-year low. The region's natural amenities together with a spate of investments in recreation and tourism facilities should ensure the continued desirability of the TODR for tourists, retirees, entrepreneurs, and workers seeking a good quality of life and a lower cost of living.

On the resource side, commodity prices are expected to remain high over the short to medium term,²⁸ which may be sufficient to see mineral finds in the exploration and development stages converted to operating mines. Forest industries should remain stable as the current short term acceleration in timber cut²⁹ to salvage pine beetle affected wood carries on and the softwood lumber issue has been resolved. New investments in public infrastructure throughout the TODR, including highway and other infrastructure improvements, such as the expanded Okanagan bridge, as well as investments in the region's post-secondary university and training facilities, are enhancing the accessibility and competitiveness of the region and its desirability for business investment.



²⁸TD Economics, *British Columbia's Golden Decade*, March 29, 2006.

²⁹The Ministry of Forests and Range approved a 27% increase in the Okanagan TSA's annual allowable cut as of January 1, 2006.