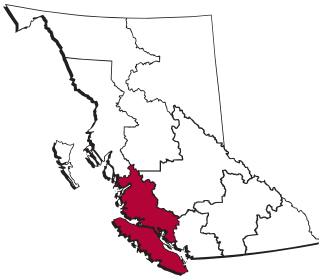




Vancouver Island/Coast Development Region



The Vancouver Island/Coast Development Region (VICDR) encompasses Vancouver Island and the central coast of the BC mainland from Powell River to Ocean Falls and Bella Coola. The Development Region covers a land area of 84,396 km² and is the second-most populated in the province, housing approximately 754,246¹ residents or 17.2% of BC' total population. Most of the population is concentrated on the east coast of Vancouver Island between Victoria and Comox, whereas large portions of the Island's north and west coasts and the central coast on the mainland are sparsely populated.

Trade, health care/social assistance, and tourism have consistently been primary economic drivers throughout the VICDR over the last decade, as has public administration in the Capital Regional District. Apart from the Capital Regional District, resources (principally forestry and fisheries, and related manufacturing) continue to be important, even though employment in these sectors has declined significantly. In the last two years, mining enjoyed a spurt of new exploration activity as a result of high commodity prices. However, construction has been the main economic driver over the last five years, as the Island's appeal, especially to retirees, increased demand for new housing and commercial construction.

In 2008, the population of the VICDR grew by 9,390 residents, or 1.2%, to reach 764,314. Over half of this growth took place in the Capital Regional District, while



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

the Cowichan Valley and Nanaimo also saw positive growth. But in the resource-dependent Regional Districts, specifically Alberni-Clayoquot, Powell River, Mount Waddington and Central Coast, there was an outflow of residents.

Like the rest of the province, the VICDR has been affected by the current economic downturn. Both the real estate and construction sectors have been significantly affected. Re-sale of homes dropped 60% in the last quarter of 2008² compared to 2007. Housing starts also fell in the latter half of 2008 and are down 73% so far in 2009.³ Tourist visits were down last year, most likely reflecting the poor US economy and a strong Canadian dollar in the first half of the year. The devaluation of assets and investments also appears to be affecting the VICDR's long standing draw of retirees.

While southern Vancouver Island has traditionally been buoyed by tourism and government services, many mid and north Island communities rely on the coastal forest industry, which is directly tied to the US housing market. Since the US housing bubble burst in 2007, and housing starts dropped to record lows, mills up and down Vancouver Island have been shut down, or worked reduced shifts in 2008. This has caused a ripple effect in the industry for contractors and suppliers, and many well-established local companies have been forced into receivership, or are barely hanging on. Forest & Marine Financial Group, which provides credit to logging and road building contractors, is the latest to seek creditor protection.

Until the US housing market begins to recover, and mills resume production, many communities in the VICDR will continue to face economic challenges in 2009.

WORK Indicators

Job Creation

In 2008, the VICDR created 15,900 new jobs, notwithstanding 6,000 job losses in the fourth quarter. This increase (4.2%) was double the growth rate of the province as a whole (2.1%), and was the second-highest in the province after the Nechako Development Region (6.3%). However, just over half of these jobs (8,000) were created in the Victoria Census Metropolitan Area (CMA).⁴

² Vancouver Island Real Estate Board.

³ Canada Mortgage and Housing Corporation.

⁴ Statistics Canada only provides a sub-regional labour market breakdown for the Victoria CMA and the Vancouver Island Coast Development Region as a whole. No data is available on a regional district basis.

Table 8-1: Employment, Vancouver Island/Coast Development Region, 2003 to 2008

	2003	2004	2005	2006	2007	2008	Job Creation (000)	
							5-Year 2003-08	1-Year 2007-08
TOTAL EMPLOYMENT (000)	319.1	334.2	350.0	369.5	378.3	394.2	75.1	15.9
Goods-Producing Sector (000)	62.2	61.1	66.3	68.2	70.3	71.7	9.5	1.4
Agriculture	4.8	5.5	5.0	3.8	3.8	3.7	-1.1	-0.1
Forestry, fishing, mining, oil and gas	12.9	9.2	8.7	8.6	9.8	7.8	-5.1	-2.0
Utilities ⁵	-	-	1.7	-	1.7	-	-	-
Construction	20.9	23.0	30.3	32.8	35.8	39.4	18.5	3.6
Manufacturing	22.5	22.3	20.6	21.7	19.2	19.7	-2.8	0.5
Services-Producing Sector (000)	256.9	273.1	283.6	301.3	308.1	322.5	65.6	14.4
Trade	49.7	52.4	55.5	64.3	65.7	62.4	12.7	-3.3
Transportation & warehousing	13.6	15.3	14.5	16.8	15.5	19.4	5.8	3.9
Finance, insurance, real estate & leasing	16.3	16.7	21.1	17.9	23.2	19.0	2.7	-4.2
Professional, scientific & technical services	16.0	18.0	20.6	23.2	21.9	28.7	12.7	6.8
Business, building & other support services	14.5	13.5	14.5	18.5	16.2	16.6	2.1	0.4
Educational services	22.9	19.7	22.1	24.5	25.8	22.9	0.0	-2.9
Health care & social assistance	43.9	43.3	39.9	48.3	52.8	53.4	9.5	0.6
Information, culture & recreation	15.2	16.8	16.2	17.1	17.0	15.7	0.5	-1.3
Accommodation & food services	27.8	36.1	37.2	32.8	31.7	35.1	7.3	3.4
Other services	15.7	15.1	14.3	12.7	13.1	17.9	2.2	4.8
Public administration	21.3	26.2	27.8	25.3	25.1	31.5	10.2	6.4

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

The *service sector* dominated job creation in 2008, producing 14,400 new jobs, or 90%, of last year's job growth. The majority of new jobs (10,300) were created in the Victoria CMA. Since 2003, the service sector has added 65,600 jobs to the VICDR economy, bringing total employment in this sector to 322,500. In 2008, seven out of eleven service industries reported gains; the largest in professional, scientific, and technical services (6,800), public administration (6,400), and other services (4,800).⁶ Job losses reported last year were in finance, insurance, real estate and leasing (-4,200), trade (-3,300), educational services (-2,900), and information, culture and recreation (-1,300).

Employment growth in professional, scientific, and technical services was partly due to the filling of job vacancies caused by labour shortages in 2007, whereas the increase in public administration jobs was a result of proactive hiring by the provincial government.⁷

Last year's downturn in the resale of homes and new construction explains employment losses in finance, insurance, real estate, and leasing. The drop in consumer confidence,⁸ falling retail sales, and lower tourist



⁵ Industries with "-" are estimated to have fewer than 1,500 employees at that particular point in time; therefore, the numbers presented in the table may not add up to total sector figures.

⁶ Other services is a conglomeration of many industries such as personal care, automotive care, furniture repair, etc. Many are self-employed.

⁷ BC Public Service, *Being the Best*, 2006 – 2008.

⁸ Decima Harris, *Consumer Confidence Shows Signs of Life*, February 23, 2009.

volumes meant fewer jobs in trade, and information, culture, and recreation respectively. There is no apparent explanation for the large number of education job losses reported.⁹ Ten schools were closed last year in the VICDR due to declining enrolment, but school officials report only minor staffing reductions.¹⁰

The *goods-producing sector* created 1,400 new jobs last year, bringing total employment in this sector to 71,700. Over the last five years, a total of 9,500 new jobs were added in goods production—all in the construction industry. This increase made up for job losses (-9,000) in other goods-producing industries. In 2008, manufacturing reported 500 new jobs and construction again added 3,600 new jobs; this was despite 6,400 layoffs in the last two months of the year, which signalled the end of the building boom. The forestry and fishing sector continued to downsize, and lost another 2,000 jobs last year.

Unemployment Rate

In 2008, the unemployment rate in the Vancouver Island/Coast Development Region went up for the first time in seven years, rising 0.1 percentage points to 4.4%. This rate was slightly higher than the provincial average (4.2%), but the second-lowest in the province after the Mainland/Southwest Development Region (4.2%). Within the VICDR, the Victoria CMA's unemployment rate (3.3%) remained unchanged from the previous year, but Nanaimo's rose 0.6 percentage points (to 6.5%). This underscores the two economies of Vancouver Island—the more diversified, service-oriented Victoria, and the resource based communities up-Island.

Table 8-2: Unemployment Rate (%), Vancouver Island/Coast Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Vancouver Island/Coast DR	8.6%	7.9%	6.3%	4.9%	4.3%	4.4%	-4.2 ppt	+0.1 ppt
British Columbia	8.0%	7.2%	5.9%	4.8%	4.2%	4.6%	-3.4 ppt	+0.4 ppt

Source: Statistics Canada

The VICDR's rise in unemployment last year was caused by labour force growth exceeding job growth. In 2008, labour force participation rose by 1.7 percentage points, to reach 65.2%, it's highest level in more than a decade. This increase was caused by an additional 17,100 new workers being added to the labour force; in addition, 7,300 former non-participants rejoined the labour force. Young workers appear to have been most affected by downsizing, as youth unemployment rose 0.8 percentage points, to reach 5.9%. Nevertheless, the VICDR's youth unemployment rate remained well below the provincial average and is the second-lowest in the province, only slightly behind that of the Mainland/Southwest Development Region (5.8%).



⁹ In the smaller Development Regions, the sample size for the Statistics Canada Labour Force Survey is small. Moreover, the survey sample is rotated from year to year, which can affect estimates of labour force size and structure. As a result, employment estimates in some sectors are not necessarily robust, and in a few cases we have been unable to reconcile the 2007-2008 job creation numbers with what is actually happening in a particular labour market.

¹⁰ Sue Sundby, Human Resource Coordinator, Comox Valley School District No. 71.

Table 8-3: Youth (age 19 to 24) Unemployment Rate, Vancouver Island/Coast Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Vancouver Island/Coast DR	13.6%	10.4%	9.2%	8.1%	5.1%	5.9%	-7.7 ppt	+0.8 ppt
British Columbia	11.4%	10.5%	8.5%	6.4%	6.0%	6.8%	-4.6 ppt	-0.8 ppt

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

INVEST Indicators

Business and Investment Activity

After several years of substantial increases, investment and construction in the Vancouver Island/Coast Development Region levelled off in 2008. At the end of December 2008, 58 projects¹¹ valued at approximately \$7.2 billion were under construction, compared with 58 projects worth \$6.3 billion the previous year.¹² In the Victoria CMA, 38 projects totalling \$3.1 billion were underway, and 20 projects totalling \$4.1 billion were underway elsewhere in the VICDR.

Of the \$7.2 billion in projects under construction, residential, residential/resort, or commercial development comprised the bulk of this investment (\$5.1 billion), and most of the projects were located in the Victoria CMA (82%). Other developments totalled another \$2.1 billion. Most of this development (\$1.2 billion) is publicly funded, including the NEPTUNE Canada project in Victoria (\$300 million); the Nanaimo Conference Centre (\$220 million); and upgrades to the CFB Esquimalt (\$170 million). Non-public projects include: the East Toba Hydroelectric project (\$660 million); Terasen LNG system upgrades (\$200 million); a seniors' care home (\$50 million); and a shipyard upgrade (\$17 million).

Another 88 projects valued at over \$21.1 billion were proposed in the VICDR at the end of 2008: 34 projects totalling \$8.1 billion in the Victoria CMA, and 54 projects totalling \$13 billion elsewhere. Of this proposed investment, 66% was residential, residential/resort, or commercial development. Given the current economic climate, many of these projects, especially those in the residential/commercial sector, will likely be delayed. Many are only at the study or approval stages, and may not have approved financing. In fact, building permits in the VICDR have been in steep decline since August 2008.¹³

While most proposed projects will remain on the books in the VICDR, 2009 is shaping up to be a slower year for business activity and investment; demand is down and financing may be difficult to obtain. However, on the positive side, additional public infrastructure spending is likely to occur as a result of the federal and provincial stimulus programs.



¹¹ Ministry of Economic Development, *BC Major Projects Inventory*, December 2008.

¹² Ministry of Economic Development, *BC Major Projects Inventory*, December 2007.

¹³ Ministry of Labour and Citizen's Services, *Quarterly Regional Statistics*, Fourth Quarter 2008.

Incorporations and Bankruptcies

For the first time in six years, 2008 saw business incorporations down and bankruptcies up in the VICDR. Last year there were 338 fewer business incorporations and 26 more bankruptcies than in 2007. Both of these trends reflect the economic downturn and its impact on entrepreneurs and investors.

Table 8-4: Business Incorporations and Bankruptcies, Vancouver Island/Coast Development Region, 2003 to 2008

	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Business Incorporations	2,605	3,062	3,715	3,863	3,983	3,645	+39.9%	-8.5%
Business Bankruptcies¹⁴	153	128	120	78	68	94	-38.6%	+38.2%

Source: BC Stats and Industry Canada, Office of the Superintendent of Bankruptcy Canada

Business Establishments

Contrary to the provincial trend, the VICDR's number of business establishments increased by 506 last year. In fact, the VICDR, along with the Thompson-Okanagan and Kootenay Development Regions, were the only areas that experienced growth in 2008. In the VICDR, small businesses with 1-19 employees and 20-49 employees increased by 2.3% and 2.2% respectively; large businesses (50+ employees) also increased slightly (0.3%).

Table 8-5: Number of Business Establishments - all sizes, Vancouver Island/ Coast Development Region, 2003 to 2008¹⁵

Region	2003	2004	2005	2006	2007	2008	Percentage Change	
							5-Year 2003-08	1-Year 2007-08
Vancouver Island/Coast DR	53,039	55,400	55,267	56,847	57,067	57,573	+8.5%	+0.9%
British Columbia	332,418	346,316	345,227	350,444	359,314	354,695	+6.7%	-1.3%

Source: BC Stats and Statistics Canada

Between 2003 and 2008, self-employment in the VICDR increased by 11.1%. This was more than twice the rate of increase of small businesses with 1-19 employees and 20-49 employees, which were up 6.4% and 6.3% respectively. However, over the last five years, the VICDR had fewer businesses with 50+ employees (-6.4%). Growth in self-employment¹⁶ in the VICDR is not surprising given the region's high number of retirees/semi-retirees, and their propensity to undertake consulting work or open a one person business to supplement their retirement income.



¹⁴ Business bankruptcy data represents the cities of Campbell River, Courtney, Duncan, Nanaimo, Port Alberni, Powell River, and Victoria.

¹⁵ Changes in methodology in 2005 and 2007 may partially explain declines in business establishment numbers, while changes in methodology in 2006 may partially explain increases.

¹⁶ BC Stats, *Business Indicators*, October 2008.

LIVE Indicators

Educational Achievement

Educational achievement has a significant effect on labour force productivity and, in the longer-term, purchasing power. In 2008, the VICDR percentage of the labour force, age 25-54, with post-secondary education increased from 59.8% to 62.2%, the second-highest increase after the Mainland/Southwest Development Region (65.3%). While the VICDR's percentage is below the provincial average, it has closed this gap by 1.3 percentage points over the last five years.

Table 8-6: Percent of Labour Force Age 25-54 With a Post-Secondary Certificate/Diploma or Higher, Vancouver Island/Coast Development Region, 2003 to 2008

Region	2003	2004	2005	2006	2007	2008	Percentage Point (ppt) Change	
							5-Year 2003-08	1-Year 2007-08
Vancouver Island/Coast DR	57.1%	58.0%	57.6%	59.3%	59.8%	62.2%	+5.1 ppt	+2.4 ppt
British Columbia	58.9%	59.3%	59.8%	61.0%	61.7%	62.7%	+3.8 ppt	+1.0 ppt

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

Although those with post-secondary diplomas represent the majority of this group (60%), the most rapid growth has been among those with university degrees. When looking at both one and five-year change, the number of university graduates in the VICDR labour force increased by 14.7% and 41.3% respectively. By comparison, post-secondary diploma holders increased by 1.3% and 15.2%. These findings are not surprising given the large increase in professional, scientific and technical services, and public administration jobs last year and the growing demand for educated workers in the labour market.¹⁷

Dependency on the Social Safety Net

As a result of job losses in the later part of 2008, dependence on unemployment insurance or social assistance in the VICDR increased to levels equal to or higher than those of 2006. Between 2007 and 2008, the dependency rate¹⁸ rose from 3.4% to 3.7%; this was still the second-lowest dependency rate in BC, behind that of the Mainland/Southwest (4.2%) Development Region.

Higher dependency rates were seen throughout the VICDR last year, with the exception of the Alberni-Clayquot Regional District, where the dependency rate increased 1.4 percentage points in 2007¹⁹ and remained steady in 2008. Within the VICDR, only the Capital Regional District's dependency rate (2.8%) was lower than the provincial average in 2007-2008; the Mount Waddington Regional District recorded the highest increase (1.2 percentage points).²⁰



^{17.} According to Statistics Canada, 75% of job openings between 2005 and 2015 will require some post-secondary education.

^{18.} Percentage of population, age 19 to 64, receiving UI or social assistance with some exclusions (see footnote 7).

^{19.} This was a result of forestry and mill layoffs.

^{20.} Insufficient data is available for the Central Coast and therefore it is excluded in this comparison.

Table 8-7: Basic Income Assistance Recipients & EI Beneficiaries as a % of the Population, Age 19-64, Vancouver Island/Coast Development Region, 2006 to 2008²¹

Region	2006	2007	2008
Capital	2.5	2.5	2.8
Cowichan Valley	3.9	3.9	4.1
Nanaimo	4.1	3.9	4.4
Alberni-Clayoquot	5.2	6.4	6.4
Comox-Strathcona	4.2	3.8	4.3
Powell River	4.1	3.7	4.1
Mount Waddington	5.7	4.5	5.7
Central Coast	7.1	-	-
Development Region Total	3.5	3.4	3.7
British Columbia	3.3	3.2	3.6

Source: BC Stats

Real Pre-Tax Income

Real pre-tax income per taxfiler can be used to compare purchasing power between the Development Regions.²² While the most recent regional income data is only available to 2006, it does give us a picture of how income levels have changed in the Development Regions in the past, and how they compare with one another. By looking at economic conditions since 2006, we can also make an educated guess about how real income has subsequently changed.

Between 2003 and 2005, real income in the VICDR grew modestly and then shot up in 2006, resulting in an overall three-year gain of 11.5%. In 2005-2006, the VICDR's growth rate (5.6%) was third lowest of all the Development Regions, ahead of the Nechako (5.5%) and Cariboo (4.4%). However, VICDR taxfilers still had the third highest real income in the province (\$35,050), after the Northeast (\$43,432) and Mainland/Southwest (\$36,539) Development Regions.

Within the VICDR, real income growth varied. Between 2003 and 2006, the Capital, Cowichan Valley, Nanaimo, and Comox-Strathcona Regional Districts—which have more diversified economies and a larger population—enjoyed the strongest real income growth rates. The other more resource-dependent Regional Districts also saw real income gains, albeit more modest. In the case of the Mount Waddington and Central Coast Regional Districts, 2006's growth was sufficient to reverse declines of the previous two years, which were caused by mill closures and layoffs in the forest industry.



²¹ Rates are as of September for each year. These figures include only a subset of those receiving Income Assistance. INCLUDED are those on Temporary Assistance. EXCLUDED are those on Continuous Assistance (disabled or with persistent multiple barriers to employment), Children in the Home of a Relative, OAS/Seniors, and Aboriginal People Living on Reserve.

²² Pre-tax income is deflated by the Consumer Price Index, with a base year of 2002. In previous editions, we have used real income per capita as an indicator; however, the recent release of census population figures has shown that, in some cases, population estimates made by statistical agencies between census years diverge significantly from census counts. We have therefore used the number of taxfilers as the denominator, as it is more accurate. Data source: BC Stats, *British Columbia Neighbourhood Income Demographics*. See Glossary at the end of this report for definitions of pre-tax income and taxfiler.

Table 8-8: Real Pre-Tax Income per Taxfiler (2002\$), Vancouver Island/Coast Development Region, 2003 to 2006

Region	2003	2004	2005	2006	Percentage Point (ppt) Change	
					3-Year 2003-06	1-Year 2005-06
Vancouver Island/Coast DR	\$31,443	\$32,284	\$33,204	\$35,050	+11.5%	+5.6%
British Columbia	\$31,400	\$32,323	\$33,430	\$35,569	+13.3%	+6.4%

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

The VICDR's economy continued to be strong in 2007 and the first half of 2008, although much of the economic growth occurred within the CRD. Elsewhere within the VICDR, declining prices in forest product prices and minerals led to mill closures or production cutbacks and subsequent job losses throughout 2008 and the first quarter of 2009. At this time it is difficult to predict what the net effect on real income will be in 2007 and 2008.

Conclusions

For most of 2008, the Vancouver Island/Coast Development Region continued to enjoy a buoyant economy. The hot real estate market and construction boom, which fuelled much of the Island's growth, carried on until late summer. Job growth also remained robust until the fourth quarter of the year, helping to offset ongoing problems in the forest industry and related manufacturing. Unemployment and social assistance dependence were at record lows before job growth tapered off in the fall. But, by year's end, it was clear that the VICDR was not immune to the global economic downturn and there were signs of difficult times ahead.

In the final three months of the year, job numbers went down and dependence on unemployment and social assistance rose. Mill closures and layoffs continued.²³ Business incorporations declined and bankruptcies went up. Building permits have plummeted since August and in the fourth quarter of 2008, real estate prices and sales were down 1.3% and 48.6% respectively from 2007.²⁴ All of this points to a challenging year ahead that will no doubt be reflected in next year's *Check-Up*.

The diversified economy of the Victoria CMA tends to weather economic changes better than other parts of the Development Region. In addition, resource-dependent communities in the VICDR were the last to benefit from the economic surge of the past few years, and will certainly have a harder time dealing with the downturn. There is no telling how long a recovery will take, according to economists. Government infrastructure spending may provide some relief, and lower real estate prices may actually incent buyers who were previously priced out of the market. Only time will tell.



²³ Gordon Hamilton, "Catalyst closes two mills within a week, restructures another," *The Vancouver Sun*, February 26, 2009.

²⁴ Vancouver Island Real Estate Board, *CREA Statistics*, 2008.

Glossary of Definitions

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