

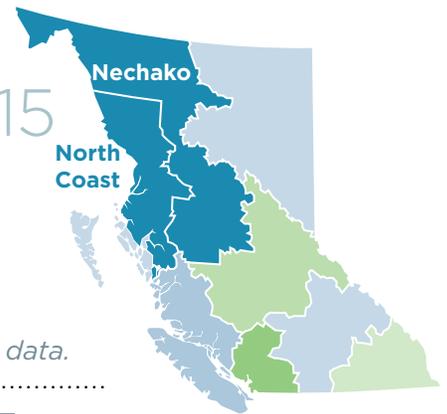
# REGIONAL CHECK-UP 2015

**North Coast Development Region**



# CPABC Regional Check-Up 2015

## Northwest BC – North Coast and Nechako Development Regions



All numbers are from 2014. Increases/decreases are in comparison to 2013 data.

### DEMOGRAPHICS:



### Population:

North Coast: **57,173** residents  
 Nechako: **40,476** residents

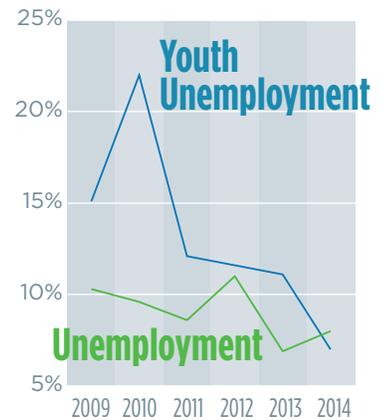
+ temporary/seasonal workers who do not reside in the region permanently

### WORKING:



**Jobs:**  
**-1,600** jobs  
 or **-3.9%**

caused entirely by losses in the services sector



### INVESTING:



### Capital Investment:

North Coast: up by **26.0%** to **\$30.7** billion  
 Nechako: down by **1.0%** to **\$6.6** billion

### LIVING:



### Educational Attainment:

**54.1%** of labour force has a post-secondary certificate/diploma or higher (-1.8 ppt)



### Consumer Insolvencies:

North Coast: 1.1 per 1,000 adult population or **-8.3%**

Nechako: 2.3 per 1,000 adult population or **+15.0%**

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## North Coast Development Region

The North Coast Development Region (NCDR) encompasses a land area of 124,243<sup>1</sup> square kilometres in the Northwest corner of BC. The region extends from Telegraph Creek in the north to the southern tip of Haida Gwaii, and from Queen Charlotte in the west across to New Hazelton in the east. Although it is the fourth largest Development Region in BC based on land mass, it comprises just 1.2% of the provincial population.

In 2014, the NCDR's population expanded slightly by 0.2%, to reach 57,173 residents.<sup>2</sup> However, a large number of non-local workers resides in camps, hotels, and other non-permanent lodging and is not captured in the population statistics. The Kitimat-Stikine Regional District, which is a staging ground for much of the project activity, added 476 new permanent residents while the Skeena-Queen Charlotte Regional District lost 379 inhabitants. In comparison, at the provincial level, the population grew by 1.1% in 2014, with the Mainland/Southwest, Thompson-Okanagan, and Vancouver Island/Coast Development Regions being the main contributors.

BC's economic performance improved in 2014 in response to solid advances in the value of international exports (+6.2%),<sup>3</sup> a rise in consumer spending (+5.8%),<sup>4</sup> and a surge in housing market activity.<sup>5</sup> Shipments to the US and South Korea increased and were the main contributors to the overall gain in exports. In con-

trast, there was a downturn in BC exports to China and Japan. Although this is the first time exports to China have dipped in at least a decade, the value of exports to China was still approximately 9.0% higher than in 2012. Lumber and natural gas products, which accounted for nearly one-third of shipments to the US, swelled in 2014.

The Port of Prince Rupert exports a variety of commodities such as lumber, pulp, and wood pellets from the North Coast, Nechako, and Cariboo Development Regions, as well as grain, canola, and metallurgical coal from the Northeast Development Region to various destinations such as China, the United Kingdom, Northern Europe, Mexico, Sri Lanka, South Korea, and Japan.

The port employs over 3,000 full-time workers, or about 8.0% of the workforce in Northwest BC (Northwest BC includes both the North Coast and Nechako Development Regions) and generates \$1.2 billion in annual economic activity.<sup>6</sup>

Overall, shipping volumes were down by 10.0% in 2014, primarily due to reduced coal exports. As a result, construction on the Ridley Terminal expansion project was halted.<sup>7</sup> The Fairview Container Terminal, on the other hand, is set for an expansion in 2015, in response to significant year-over-year growth in volumes since it opened in 2007.

<sup>1</sup> Statistics Canada, *Census 2011*.

<sup>2</sup> Statistics Canada, *Estimates of population by economic region, sex and age group for July 1, based on the Standard Geographical Classification (SGC) 2011*, CANSIM Table 051-0059.

<sup>3</sup> BC Stats, *Annual BC Origin Exports*, released April 2, 2015.

<sup>4</sup> Statistics Canada, *Retail Trade, Sales by the North American Industry Classification System*, CANSIM Table 080-0020.

<sup>5</sup> BC Real Estate Association, *Press Release*, "Consumer Demand in 2014 Strongest in Five Years", January 13, 2015.

<sup>6</sup> InterVISTAS Consulting Inc., *Port of Prince Rupert Economic Impact Study*, January 15, 2015.

<sup>7</sup> Paul Jago, British Columbia Ministry of Energy and Mines, British Columbia Geological Survey, *Mining in British Columbia, 2014*, "Exploration and Mining in the Omineca and Northeast Regions", 2015.

Mining exploration in Northwest BC continued last year in the face of challenging metal and mineral market conditions. But expenditures fell to \$161 million, which is 20.0% lower than in 2013, and is the lowest level since 2009.<sup>8</sup>

Several proposed mines received permits last year, and companies are still pursuing investment funding and completing pre-development work. Construction began at the \$812 million Kitsault Molybdenum Mine, 140 kilometres northeast of Prince Rupert, which is anticipated to employ about 700 people during a two-year construction period and 300 full-time workers during operations.<sup>9</sup> The Red Chris copper-gold mine near Iskut was in the final stages of construction in late 2014, and began to crush and stockpile ore. Unfortunately the commissioning of the Red Chris Mine in early 2015 coincided with copper prices plummeting to a six-year low.

Housing prices in the communities of Kitimat, Terrace, and Prince Rupert continued to skyrocket in response to major projects still in progress in 2014. This included Rio Tinto's smelter modernization in Kitimat, the Northwest Transmission Line, various mining projects, and liquefied natural gas

(LNG) development groundwork. The BC Real Estate Association estimates that average prices in the BC Northern Board region grew 7.6% last year, the largest increase in BC.<sup>10</sup> Rents are also up significantly and vacancy rates in some communities are approaching zero. There is concern about the rising number of evictions and displaced people on low and fixed incomes.

On the LNG front, there were 11 LNG developments proposed for BC's North Coast in 2014.<sup>11</sup> Heightened global competition and lower LNG prices, as well as higher than expected construction costs, falling oil prices, and an unpopular BC production tax proposal, lowered prospects for the industry last year. These challenges and associated uncertainties have some investors questioning the economic viability of their multi-billion dollar capital projects. As of December 2014, the two forerunners, Prince Rupert LNG and Pacific Northwest LNG, had indicated a deferral of their investment decisions.

<sup>8</sup> Jeff Kyba, British Columbia Ministry of Energy and Mines, British Columbia Geological Survey, *Mining in British Columbia, 2014*, "Exploration and Mining in the Skeena Region", 2015.

<sup>9</sup> Brian Morton, *Vancouver Sun*, "Kitsault Mine in Northwestern B.C. Receives Construction Approval, Strengthening Molybdenum Prices Make Abandoned Mine Economically Feasible", June 16, 2014

<sup>10</sup> BC Real Estate Association, Press Release, Consumer Demand in 2014 Strongest in Five Years, January 13, 2015.

<sup>11</sup> As of September 2014. Source: Ministry of Jobs, Tourism and Skills Training, *BC Major Projects Inventory*, September 2014.

## WORK Indicators

### Job Creation

*Statistics Canada aggregates WORK indicator data for the **Nechako** and the **North Coast** Development Regions. Together, these two regions comprise Northwest BC (NWBC).*

**Job creation** is a key indicator of labour market trends and economic health. NWBC's labour market deteriorated last year after a slight improvement in 2013, driving total employment down to its lowest level in at least a decade. Statistics Canada reports an overall loss of 1,600 jobs (-3.9%) in 2014, a result of shrinking employment in the services-producing sector.

Part-time employment declined considerably by 1,800 jobs, while the number of full-time positions increased slightly by 200 jobs. This data, combined with the large contraction of the regional labour force and reports of some retail workers leaving the region as they can no longer afford to live there,<sup>12</sup> suggests that at least some of the reported job losses are due to an amalgamation of part-time jobs and unfilled openings.

Employment losses of 2,200 jobs in public administration, 900 jobs in educational services, and 500 jobs in trades led to an overall decline in NWBC's services-producing sector. Following a large increase of job openings in 2013, employment in public administration contracted throughout 2014. This coincided with the completion of some major government and institutional infrastructure development such as the Burns Lake Hospital, the

Northwest Transmission Line, and the Forrest Kerr Hydroelectric Project. The completion of these projects may have eased the demand for some government infrastructure services.

The employment decline in educational services occurred largely at the primary and secondary school level. Ministry of Education data shows that student headcounts declined in virtually every school district in NWBC during the 2014/15 school year.<sup>13</sup> Declining enrollment is a consequence of demographic change and the outmigration of some families due to inflation brought on by the major projects.

Detailed statistics reveal that job losses in trade is entirely due to the contraction of 600 jobs in the wholesale sub-industry.<sup>14</sup> This sub-industry supplies a wide array of products ranging from building materials and machinery to household goods. It is anticipated that many part-time workers were let go later in the year as the construction of several major projects was completed.

There was some good news in NWBC's services-producing sector in 2014, with notable gains of 1,500 jobs in accommodation and food services, 800 jobs in health care and social assistance, and 700 jobs in transportation and warehousing. Employment at the region's food and drinking places expanded by 1,300 jobs in order to keep pace with the demand from temporary workers and contractors who live on a daily allowance and have temporary accommodation.

<sup>12</sup> Gordon Hoekstra, *Vancouver Sun*, "Northwest B.C.'s LNG Boom is Already a Bust for Some", November 5, 2014.

<sup>13</sup> BC Ministry of Education, *District Reports*, "Student Statistics—2014/15", January 2015.

<sup>14</sup> BC Stats, *Employment and Unemployment Rate by Detailed Industry, 15 Years and Over*, March 2015.

The majority of new jobs in the health care and social assistance industry were in hospitals which gained 500 jobs.<sup>15</sup> Nevertheless, physician recruitment remains a challenge in the North, as temporary workers for major project development place additional demands on the existing infrastructure.

Virtually all of the new jobs created in the transportation and warehousing industry are related to air, rail, water, or truck transportation. Shipments through the Port of Prince Rupert were down by 10.0% in 2014, primarily due to a drop in coal shipments. Container traffic and grain shipments improved, but were not enough to offset the decrease at the Port.<sup>16</sup> On a positive note, major project pre-development activity has increased the demand for both scheduled and charter flights at the region's airports.

Although NWBC's goods-producing sector reported no overall change in employment in 2014, there were shifts observed amongst its industries. Employment ramped up by 900 jobs in construction, offsetting the loss of 700 jobs in manufacturing and 100 jobs in forestry, fishing, mining, oil and gas. The overall value of building permits declined by 11.0%.<sup>17</sup> While major project activity slowed in NWBC last year, a considerable increase in residential and commercial construction kept local contractors busy.

A dwindling timber supply in the Nechako Development Region is to be blamed for much of the job losses reported in the manufacturing and forestry industries. In a proactive move, West Fraser and Canfor swapped their timber licenses in Houston and Quesnel. This allowed one viable operation to continue in each community, but put 225 mill workers out of work in Houston.<sup>18</sup>

Only three of BC's Development Regions reported job creation in 2014. The Cariboo Development Region led the province (+4.5%), followed by the Mainland/Southwest and Thompson-Okanagan (+2.0% and +1.0% respectively). Employment declined in the remaining regions, with Northwest BC (-3.9%) placing ahead of last place Kootenay Development Region (-11.8%).

It should be noted that NWBC's statistics apply to the local resident labour force only. Temporary workers who reside in camps are not included—their work status is recorded in the Development Region where they are permanent residents.

<sup>15</sup> Statistics Canada, *Labour Force Survey Estimates, Employment by Economic Region and National Occupation Classification*, Annual, CANSIM Table 282-0063.

<sup>16</sup> Prince Rupert Port Authority, *Monthly Traffic Summary for December 2014*, January 6, 2015.

<sup>17</sup> BC Stats, *British Columbia Building Permits for Development Regions and Regional Districts*, by Type 2006 - 2014, (2015 year-to-date), March 6, 2015.

<sup>18</sup> District of Houston, *Houston Transition Plan*, December 7, 2013.

Table 1-1: Employment, Northwest BC, 2009 to 2014<sup>19</sup>

	2009	2010	2011	2012	2013	2014	Job Creation (000)	
							5-Year 09-14	1-Year 13-14
<b>TOTAL EMPLOYMENT (000)</b>	<b>42.0</b>	<b>41.2</b>	<b>43.5</b>	<b>39.8</b>	<b>40.7</b>	<b>39.1</b>	<b>-2.9</b>	<b>-1.6</b>
<b>Goods-Producing Sector (000)</b>	<b>12.4</b>	<b>11.9</b>	<b>11.5</b>	<b>12.1</b>	<b>11.2</b>	<b>11.2</b>	<b>-1.2</b>	<b>0.0</b>
Agriculture	-	-	-	-	-	-	n/a	n/a
Forestry, fishing, mining, oil and gas	2.3	3.3	2.5	2.4	3.0	2.9	+0.6	-0.1
Utilities	-	-	-	-	-	-	n/a	n/a
Construction	3.1	2.3	3.2	4.7	3.9	4.8	+1.7	+0.9
Manufacturing	6.4	5.6	5.1	4.5	3.8	3.1	-3.3	-0.7
<b>Services-Producing Sector (000)</b>	<b>29.6</b>	<b>29.3</b>	<b>32.0</b>	<b>27.7</b>	<b>29.5</b>	<b>27.9</b>	<b>-1.7</b>	<b>-1.6</b>
Trade	6.9	7.3	5.4	5.2	5.9	5.4	-1.5	-0.5
Transportation & warehousing	3.0	3.0	4.1	2.7	2.0	2.7	-0.3	+0.7
Finance, insurance, real estate & leasing	-	-	-	-	1.5	-	n/a	n/a
Professional, scientific & technical services	-	2.3	1.7	1.5	1.6	1.7	n/a	+0.1
Business, building & other support services	-	-	1.5	-	-	-	n/a	n/a
Educational services	2.7	2.4	4.4	3.3	4.3	3.4	+0.7	-0.9
Health care & social assistance	5.1	5.0	5.5	4.5	3.6	4.4	-0.7	+0.8
Information, culture & recreation	-	-	-	-	-	-	n/a	n/a
Accommodation & food services	3.1	2.4	3.0	2.5	2.3	3.8	+0.7	+1.5
Other services	2.0	-	2.4	1.9	1.8	-	n/a	n/a
Public administration	2.4	2.1	2.1	2.5	3.9	1.7	-0.7	-2.2

Source: Statistics Canada, Labour Force Survey Historical Review

<sup>19</sup> 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.

## Unemployment Rate

The **unemployment rate** is a key economic indicator that measures the number of unemployed individuals as a share of the labour force. While the number of workers in the Northwest BC declined by 1,200, the number of those employed declined by an even larger number of 1,600 workers due to scarcity of work.

This resulted in a hike in the unemployment rate. In 2014, NWBC's unemployment rate rose by 1.1 percentage points (ppt) to 8.0%, as a result of an increase (+400) in the number of unemployed individuals and a shrinking labour force (-1,200). The size

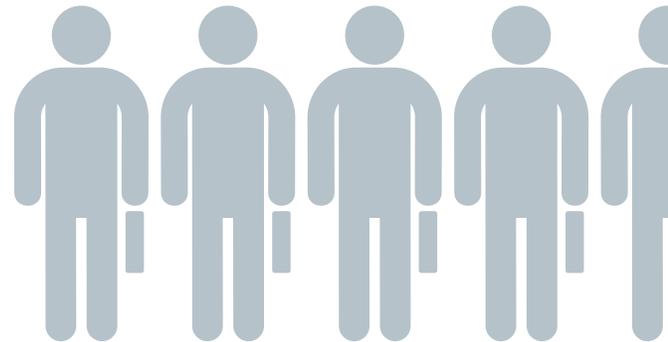
of NWBC's labour force, which is a combination of employed individuals and job seekers, fell to its lowest level since 2007.

Compared to BC's other Development Regions, NWBC recorded the highest unemployment rate and the largest increase for this indicator year-to-year. The lowest rates were posted in the Northeast, Mainland/Southwest and Cariboo, and Vancouver Island/Coast Development Regions (at 4.9%, 6.0%, and 6.1% respectively).

**Table 1-2: Unemployment Rate, Northwest BC, 2009 to 2014**

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
							5-Year 09-14	1-Year 13-14
Northwest BC	10.3	9.6	8.6	11.0	6.9	8.0	-2.3 ppt	+1.1 ppt
British Columbia	7.7	7.6	7.5	6.8	6.6	6.1	-1.6 ppt	-0.5 ppt

Source: Statistics Canada



In contrast, NWBC’s youth unemployment rate declined by 4.1 ppt to 7.0%, the lowest level in more than a decade of solid double digit figures. Although there was no change in the number of young people working between 2013 and 2014, the youth labour force contracted which meant that fewer youth were without a job.

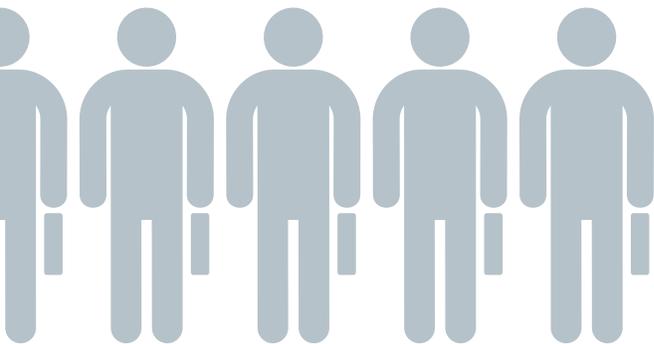
Some young workers may have left the region to seek career opportunities elsewhere, but it is anticipated many chose to further their education in preparation for anticipated future job opportunities in the region.

NWBC’s youth unemployment rate dipped below the provincial average by 2.2 ppt in 2014, and was the second lowest in BC after the Kootenays (6.7%). The Northeast (7.1%) also reported a low rate of youth unemployment. Development Regions reporting the highest rates of youth unemployment in 2014 include the Cariboo, Thompson-Okanagan, Mainland/Southwest, and Vancouver Island/Coast Development Regions (at 10.1%, 9.7%, 9.3%, and 9.2% respectively).

**Table 1-3: Youth (age 19 to 24 years) Unemployment Rate, Northwest BC, 2009 to 2014**

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
							5-Year 09-14	1-Year 13-14
Northwest BC*	15.1	22.0	12.1	11.6	11.1	7.0	<b>-8.1 ppt</b>	<b>-4.1 ppt</b>
British Columbia	11.7	11.3	11.8	11.3	10.7	9.2	-2.5 ppt	-1.5 ppt

Source: Statistics Canada \*Unemployment rate calculated by author



## INVEST Indicators

### Business & Investment Activity

New capital investment in non-residential structures, machinery, and equipment is a key factor in maintaining BC's competitiveness both in Canada and globally. Capital investment contributes to economic growth through job creation during construction, improvements in capacity and productivity, and advances in technology.

The value of capital investment in BC increased (+24%) to \$377 billion in 2014.<sup>20</sup> Most of this increase is attributed to new investment, the largest being the proposed \$30 billion Sarita Bay LNG Facility in the Vancouver Island/Coast Development Region, and a \$10 billion Bitumen Refinery planned for Prince Rupert.

In the NCDR, capital investment grew by 28.3%, or \$32.7 billion between the third quarter of 2013 and third quarter of 2014. Total major projects, either proposed, underway, completed, or on hold, increased to \$148.3 billion.

As of September 2014, 43 projects were in the proposal stage (valued at \$130.8 billion), 12 projects had already begun construction (valued at \$7.7 billion), one project was completed (valued at \$725 million), and 11 projects were on hold (valued at \$9.1 billion).<sup>21</sup>

The value of major projects planned for the North Coast is staggering, comprising 49% of all developments in the proposal stage for BC. As of September 2014, 11 of these projects (\$62.3 billion)<sup>22</sup> were related to LNG, 10 projects (\$54.2 billion) were linked to transportation and warehousing, including pipelines and storage facilities, and

eight projects (\$13.1 billion) were associated with mining developments.

New projects that were added to the Major Projects Inventory in 2014 are valued at \$10.3 billion. The largest proposal is for a \$10 billion Bitumen Refinery planned for Prince Rupert. This refinery would turn Alberta bitumen into products such as gasoline and diesel, which would then be shipped through the Port in tankers. The project is still in the pre-feasibility stage. Another new large development proposed for Prince Rupert is the Orca LNG facility (no estimated capital cost). The project design includes an export terminal, six floating liquefaction storage and offloading vessels. An export application has been submitted to the National Energy Board.

Four projects (\$12.4 billion) are scheduled to proceed in 2015, all located in Prince Rupert:

- Fairview Container Terminal Expansion (\$650 million)—The terminal expansion will quadruple the current capacity to two million twenty-foot equivalent units (TEUs) annually to meet growing demand, and to support continued growth in Asia-Pacific trade. The project has received environmental approvals and is in the final planning stages.
- Prince Rupert Gas Transmission Project (\$5 billion)—The proposed 900-kilometre pipeline will deliver natural gas from Fort St. John to the Pacific Northwest LNG export facility that is planned for Port Edward. The transmission project is in the review phase under the Environmental Assessment Act.

<sup>20</sup> BC Ministry of Jobs, Tourism and Skills Training, *BC Major Projects Inventory (MPI)*, September 2014. Note: Period of reference is third quarter 2013 and third quarter 2014. In previous years we have used December data, but this was not available at the time of writing.

<sup>21</sup> The September 2014 MPI summary statistics have been adjusted to reflect the commencement of construction in mid-2014 of the \$812 million Kitsault Molybdenum Mine (this was not captured in the September MPI).

<sup>22</sup> As five of the 11 projects do not yet have a capital estimate, the actual value of LNG-related proposals is considerably higher.

- Westcoast Connector Gas Transmission Project in Prince Rupert (\$6 billion)— This natural gas transmission pipeline will span 850 kilometres between the Northeast Development Region and the North Coast. It is intended to serve the proposed Prince Rupert LNG facility and export terminal, which has already been approved to export natural gas under a 25-year licence. The Westcoast Transmission Project has received an Environmental Assessment Certificate.
- Prince Rupert Potash Terminal (\$775 million)<sup>23</sup>— Upgrades to the existing terminal will increase total potash export capacity to 13 million tonnes per year. The project has received environmental approval and a lease agreement with the Prince Rupert Port Authority is in place.

In addition, construction at the proposed Brucejack gold mine north of Stewart may proceed as early as this summer, creating about 500 jobs during a two-year construction period and 300 permanent jobs during its 16-year life.<sup>24</sup>

However, as the LNG facilities that the two pipelines are anticipated to supply have been deferred, and all four projects are at various stages in the planning process, there is no guarantee that they will all go ahead as intended.

During the first three quarters of 2014, the value of major projects under construction in the NCDR declined due to the completion of two milestone projects—the \$725 million Forrest Kerr Hydroelectric Project and the \$746 million Northwest Transmission Line. Both projects are key to setting the stage for other major project invest

ment in the North Coast, such as hydro generation projects and mine development.

Five smaller hydro generation or transmission projects totalling \$533 million are currently under construction and should be completed by 2015. Also scheduled for completion in 2015 is Imperial Metal's \$643 million Red Chris Porphyry Copper/Gold Project, which will be the first operation powered by BC Hydro's Northwest Transmission Line. Rio Tinto Alcan's \$4.8 billion Smelter Modernization project in Terrace has been ongoing since early 2012 and should also wrap up in 2015.

Three projects commenced construction in the NCDR last year: Avanti expects its \$812 million Kitsault Molybdenum Mine to be operational by 2017 and already has agreements in place with German and Korean companies to buy 70% of their production,<sup>25</sup> a \$90 million Road Rail Utility Corridor in Prince Rupert at the Ridley Island industrial site is anticipated to be a catalyst for future developments, and the \$15 million expansion of the Northwest Regional Airport in Terrace is in response to increased passenger volumes.

Plans for the airport include a third aircraft parking area and the expansion of the terminal and parking area.<sup>26</sup> Work on the \$200 million Ridley Terminals Expansion in Prince Rupert, which will double shipping capacity, was halted mid-year pending recovery of the coal market in the Northeast Development Region.<sup>27</sup>



<sup>23</sup> The capital cost of the Potash Terminal expansion was revised upwards in 2014 from \$400 million.

<sup>24</sup> Ministry of Environment, *Press Release*, "Brucejack Gold Mine Granted Environmental Assessment Approval", March 26, 2015.

<sup>25</sup> *Terrace Standard*, "Kitsault Moly Mine Work Underway", July 28, 2014

<sup>26</sup> Josh Massey, *Terrace Standard*, "More Money Announced to Help Airport Expansion", September 3, 2014.

<sup>27</sup> Paul Jago, British Columbia Ministry of Energy and Mines, British Columbia Geological Survey, *Mining in British Columbia, 2014*, "Exploration and Mining in the Omineca and Northeast Regions", 2015.

## Major Projects Inventory Update

*In previous years, December data was used to calculate the one-year change in capital investment in British Columbia and its Development regions. As this data was not available at the time of writing, a September-to-September comparison was used instead.*

The December 2014 Major Projects Inventory report, which was released on May 12, 2015, indicates that the value of major projects in British Columbia (proposed, under construction, completed and on hold) rose by \$19.2 billion between the third and fourth quarters of 2014. Projects in the proposal stage were revised upward by \$20.2 billion.

Most of this was due to changes in the North Coast Development Region:

- The WCC LNG natural gas liquefaction plan, storage and export facility planned for Prince Rupert (proposed in 2013), formerly with no given value, was assigned an initial valuation of \$25 billion in the December 2014 MPI report.
- The Avanti Kitsault Mine project near Alice Arm was revalued upwards (+\$188 million) to \$1 billion.
- The cost for the Kitimat Clean oil refinery and pipeline project was revised downwards to \$22 billion (-\$5 billion).

## Bankruptcies

Business bankruptcies are a key indicator of business vitality and are linked to changes in the economy and the regional investment climate.

In 2014, the NCDR had no reported business failures for the second consecutive year. This signifies a healthy business climate for both entrepreneurs and prospective investors, and is a reflection of the region's vibrant economy.

The Nechako Development Region reported the same results, with business bankruptcies remaining at zero between 2013 and 2014. Half of BC's Development

Region experienced improved business conditions.

The top performers were the Thompson-Okanagan, Kootenay, and Northeast, which saw substantial declines in this indicator (-53.8%, -50.0%, and -33.3% respectively). The Cariboo and Mainland/Southwest saw an increase in reported business bankruptcies in 2014 (+100%<sup>28</sup> and +51.2% respectively).

**Table 1-4: Business Bankruptcies, NCDR, 2009 to 2014<sup>29</sup>**

Region	2009	2010	2011	2012	2013	2014	Percentage Change	
							5-Year 09-14	1-Year 13-14
Business Bankruptcies	6	0	2	2	0	0	-100.0%	0.0%

Source: Office of the Superintendent of Bankruptcy Canada

<sup>28</sup> The 2014 figure is preliminary, based on quarterly totals, as the annual total was not available at the time of writing.

<sup>29</sup> This was an increase from one to two bankruptcies between 2013 and 2014.

## LIVE Indicators

### Educational Attainment

Productivity and long-term prosperity are related to the education level of the labour force. In 2014, the educational attainment level of NWBC's labour force aged 25 to 54 declined by 1.8 percentage points (ppt) to 54.1%, widening the gap with the provincial average of 68.1%. The share of NWBC workers with a post-secondary education or higher now sits 14.0 ppt below this benchmark.

In other Development Regions, the Mainland/Southwest (70.1%) maintained its first place standing in educational attainment, followed closely by the Kootenay and Vancouver Island/Coast (at 69.0% and 67.6% respectively). NWBC placed ahead of last place Northeast (52.6%).

NWBC's labour force continued to contract in 2014. The loss of 1,100 workers in the 25 to 54 age range with a post-secondary education or higher resulted in a higher share of unskilled labour, with high school or some high school education, remaining in the labour force.

NWBC has, in fact, experienced a persistent outflow of highly educated or skilled human capital since 2011. It is anticipated that many of these workers may have been enticed by job opportunities elsewhere, where there has been a better match for their particular skills.

**Table 1-5: Percent of Labour Force Age 25 to 54 with a Post-Secondary Certificate/Diploma or Higher, Northwest BC, 2009 to 2014**

Region	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change	
							5-Year 09-14	1-Year 13-14
Northwest BC	50.8%	53.8%	58.5%	54.9%	55.9%	54.1%	+3.3 ppt	-1.8 ppt
British Columbia	63.0%	64.3%	65.9%	66.5%	67.9%	68.1%	+5.1 ppt	+0.2 ppt

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

## Consumer Insolvencies

The consumer insolvency rate is an indicator of the number of households experiencing severe financial stress. The most common causes of insolvency include, but are not limited to, job loss, reduced income, money mismanagement, relationship breakdown, or medical problems.

Between 2013 and 2014, the NCDR's consumer insolvency rate decreased by 8.3% to 1.1 per 1,000 population aged 18 and older. This improvement was due to a reduction of 22.2% in the rate of bankruptcies that was partially offset by an increase of 33.3% in proposals.

Proposals permit an indebted consumer to negotiate to repay a part of their debt,

allowing them to keep their assets as long as they continue to make payments. Six of eight Development Regions reported an increase in the use of this popular alternative to bankruptcy in 2014.

Consumers of the NCDR continued to enjoy the lowest insolvency rate in BC last year. The Northeast and Nechako Development Regions ranked second and third, at 1.6 and 2.3 per 1,000 population, respectively. In contrast, the Cariboo, Vancouver Island/Coast, and Thompson-Okanagan registered the highest consumer insolvency rates in the province (at 3.9, 3.8, and 3.4 per 1,000 population respectively).

**Table 1-6: Annual Consumer Insolvency Rate per 1,000 Population Aged 18 Years and Older, NCDR, 2009 to 2014<sup>30</sup>**

Rate	2009	2010	2011	2012	2013	2014	Percentage Point (ppt) Change		
							5-Year 09-14	1-Year 13-14	
North CoastW	Insolvency	3.1	3.6	1.9	2.2	1.2	1.1	-64.5%	-8.3%
	Bankruptcy	2.7	3.0	1.5	1.6	0.9	0.7	-74.1%	-22.2%
	Proposal	0.4	0.6	0.5	0.6	0.3	0.4	0.0%	+33.3%
BC	Insolvency	3.7	3.5	3.2	3.2	3.2	3.0	-18.9%	-6.3%

Source: Office of the Superintendent of Bankruptcy Canada and Statistics Canada

<sup>30</sup> The 2014 figures are preliminary, based on quarterly totals, as annual totals were not available at the time of writing.

## CONCLUSION

Although our indicators for the North Coast were mixed last year, the economy of the region continued to grow, largely in response to major project activity. Following a modest upturn in 2013, Northwest BC's labour market sank to its lowest point in more than a decade due to a shrinking services sector. However, as virtually all reported job losses were for part-time work, it is suspected that these statistics may represent some unfilled job openings and the merger of part-time jobs into full-time positions.

The reported job losses produced both the largest increase and highest rate of unemployment in BC last year. Although the youth unemployment rate dropped considerably, it was entirely due to a shrinking youth labour force. Regardless, this has made it easier for young workers to find employment in Northwest BC.

The persistent outflow of highly educated or skilled human capital has reduced Northwest BC's educational attainment rate further, which now sits substantially below the BC average. This suggests an incompatibility of some locals' skills to those demanded by new project development and the resulting spin-off opportunities.

On a positive note, the NCDR's population expanded for the second consecutive year, after more than a decade of net out-migration. North Coast residents continue to enjoy the lowest consumer insolvency rate in the province, which indicates they are faring better than their counterparts in other parts of BC. The investment climate remained healthy as the number of business bankruptcies sat at zero for the

second straight year. Capital investment continued to grow and several new projects, albeit smaller in scale, commenced last year. But the largest projects are still in the proposal stage with no indication as to when they might move forward. LNG developers were less optimistic about the viability of their projects, and decisions to proceed were deferred or put on hold.

As of March 2015, BC's economic outlook is optimistic. Domestic spending is projected to increase due to the influx of Albertan workers moving back to BC from the tar sands. Growth in exports, led by stronger US demand in combination with the weaker Canadian currency, is expected to continue.<sup>31</sup> This may fuel increased lumber production in the Central and Northern Interior, and shipments through the Port of Prince Rupert.

In early 2015, the Port announced plans to expand its container capacity from 850,000 to 1.3 million units per year, with construction planned for the spring.<sup>32</sup> Shipments of coal through Ridley Terminals, however, are not expected to pick up in 2015 due to the ongoing global glut of metallurgical coal that has idled mining operations in the Northeast.

Continued uncertainty in metal and mineral prices, and turmoil in global energy markets may result in further delays and a slowing of spending on major projects in the NCDR. Regardless, construction at the proposed Brucejack gold mine north of Stewart may proceed as early as this summer, creating about 500 jobs during a two-year construction period and 300 permanent jobs during its 16-year life.<sup>33</sup>

<sup>31</sup> TD Economics, *Provincial Economic Forecast*, April 10, 2015. [http://www.td.com/document/PDF/economics/qef/ProvincialEconomicForecast\\_Apr2015.pdf](http://www.td.com/document/PDF/economics/qef/ProvincialEconomicForecast_Apr2015.pdf)

<sup>32</sup> Prince Rupert Port Authority, *Press Release*, "Prince Rupert Port Expanding to Handle 500,000 More Containers Annually", March 10, 2015.

<sup>33</sup> Ministry of Environment, *Press Release*, "Brucejack Gold Mine Granted Environmental Assessment Approval", March 26, 2015.

The BC government recently issued an environmental assessment certificate for the mine, the first approved since Mount Polley's tailings dam collapse in 2014.

ufacturing. As of March 2015, the NWBC's unemployment rate was 5.8%, down by 2.2 ppt from the 2014 annual average of 8.0%.<sup>34</sup>

The most recent labour market indicators for Northwest BC show that overall employment increased substantially during the first quarter of 2015, primarily driven by gains in construction and man-

## Glossary of Definitions

**Consumer proposals:** A viable alternative to bankruptcy for those struggling with too much debt. In a consumer proposal, the debtor makes a legally binding debt settlement arrangement with their creditors to pay a portion of their outstanding debt over a period of up to five years. The greatest advantage of a proposal over a bankruptcy is the ability of the debtor to keep their assets as long as they are able to continue to make payments on any loans secured by those assets (like a house mortgage).

**Job creation:** Change in number of employed individuals between two given years.

**Unemployment rate:** Share of employable labour force looking for work but unable to find it.

**Venture capital:** Is defined as financial capital provided to start-up companies (usually in the IT sector) in either the inception phase or a period of early growth, and is generally characterized by high risk.

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<sup>34</sup> Statistics Canada, *Labour Force Survey Estimates by Provinces and Economic Regions based on 2011 Census Boundaries*, 3-Month Moving Average, Unadjusted, CANSIM Table 282-0122.

## ***CPABC Regional Check-Up - North Coast***

As leaders in analysing and validating information, CPAs are often called upon to provide independent, fair, and objective information to assist in decision-making. It's with this goal in mind that the Chartered Professional Accountants of BC prepare the *CPABC Regional Check-Up and CPABC Check-Up* reports each year. It is our hope that the reports will make a positive public policy contribution to the province by stimulating debate and discussion about how to make BC a better place in which to live, work, and invest.

The *CPABC Regional Check-Up and CPABC Check-Up* reports, as well as related information, are available online at [www.bccheckup.com](http://www.bccheckup.com).

### **Staff**

Kerri Wilcox, Vice President, External Affairs, CPABC  
Vivian Tse, Manager, Public Affairs, ICABC

### **Economists**

Chisholm Consulting, in association with Gold Island Consulting.

The *CPABC Regional Check-Up - North Coast* report is edited by Kerri Wilcox and Vivian Tse. Creative layout is done by Vivian Tse. Cover design, infographic, and graphics used in this report are done by Linda Mitsui of Profile Design Group Inc.

Opinions expressed in the *CPABC Regional Check-Up - North Coast, 2015* do not necessarily reflect those of individual chartered professional accountants.

### ***CPABC Regional Check-Up***

505 Burrard Street, Suite 500, Box 22  
Vancouver, BC, V7X 1M4  
Tel: 604.681.3264  
Fax: 604.681.1523  
Toll free in BC: 1.800.663.2677

[www.bccpa.ca](http://www.bccpa.ca)

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