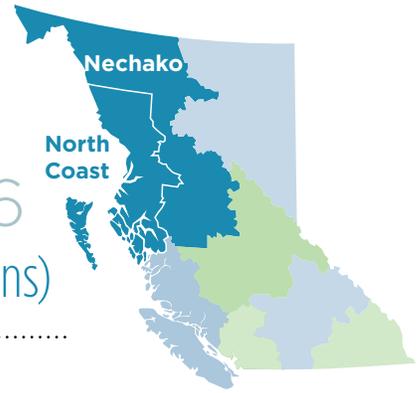


# REGIONAL CHECK-UP 2016

**Northwest BC**





# CPABC Regional Check-Up 2016

## Northwest BC (Nechako & North Coast Development Regions)

### HIGHLIGHTS

Northwest BC (NWBC) is made up of the North Coast and Nechako Development Regions

**Population:**  
**793,823** residents **-1.2%**

**83** major projects worth **\$234.4 billion = 1/2** of BC's total value of capital investments (as of September 2015) **but ~88%** of these projects are in proposal stage or on hold

### WORK

**New jobs:**  
**+3,100** **#1** Highest job creation rate in BC



**Industries with the most job gains:**

- #1** Manufacturing (+16,400)
- #2** Trade (+1,500)
- #3** Health Care & Social Assistance (+300)

**Unemployment:** **7.0%** > **6.2%** NWBC BC  
**Youth Unemployment:** **8.6%** < **9.9%** NWBC BC

Only region to report a decrease in unemployment

### INVEST

**Value of all major projects:**  
**+51%** to **\$234.4 billion**



Value of proposed developments scheduled to proceed in 2016:

**\$65.7 billion**

**Business Bankruptcies:** Nechako: 0 reports Northcoast: 2 reports

Major projects data is from Q3 2015. Increases/decreases are in comparison to 2014 data.

### LIVE

**Educational Attainment:**  
**58.7%** of labour force has at least a post-secondary certificate/diploma (+4.6 ppt)



**Consumer Insolvencies:**

**Nechako:** 1.7 per 1,000 adults **-29.2%**

**North Coast:** 1.3 per 1,000 adults **+18.2%**

# Executive Summary

Overall, 2015 was a good year to work, invest, and live in Northwest BC. The region led BC in job creation, generating many full-time jobs, which led to a reduction in the unemployment rate. The substantial gain in the educational level of the workforce is a sign that the stock of human capital available has improved. It also bodes well for the future productivity of the economy and purchasing power of individuals. The Nechako recorded the largest decline in consumer insolvencies in BC last year, and its business climate remained robust with no bankruptcies reported. Furthermore, the consumer insolvency rate in the region as a whole was the lowest in the province. Although the Northwest BC's youth unemployment rate deteriorated in 2015, it remained relatively healthy compared to other regions in BC.

Although BC is projected to have another year of respectable economic performance in 2016, it is not clear how Northwest BC's economy will fare.<sup>1</sup> China's economic slowdown is expected to persist as they lay off millions of workers in their coal and steel industries this year, in an effort to reduce capacity.<sup>2</sup> This may trigger a further decline in exports to China, and exert downward pressure on already faltering commodity prices. Port development and other projects may be delayed, and some sectors of the region's economy will undoubtedly suffer. US housing starts, however, are projected to be moderate which, in combination with

the low Canadian dollar, may bolster forest product exports.

As of spring 2016, the outlook for LNG remains murky due to poor economic conditions and worsening global energy prices, with none of the forerunners announcing a definite go ahead. Petronas, the company behind the Pacific NorthWest LNG proposal for Lelu Island, announced it will be cutting capital and operational spending. It is not known yet how these measures will impact the Lelu Island proposal.<sup>3</sup> Regardless, the project will remain tied up in the federal environmental process, at least until late June 2016.<sup>4</sup> In Kitimat, Shell postponed a final decision on its investment, while AltaGas deferred its plans for a floating export plant.<sup>5</sup>

Other concerning news is the impending closure of the Canfisco cannery, one of Prince Rupert's largest employers,<sup>6</sup> which may impact between 500 and 1,200 direct and indirect jobs by mid-2016.<sup>7</sup> It is hoped that the shutdown of Huckleberry Mine's operations by August 31, 2016 will not be followed by further mine closures.<sup>8,9</sup>

On a positive note, it is anticipated that Northwest BC's construction industry may rally in 2016 as work on the Brucejack mine ramps up. The project is expected to generate 900 construction jobs until 2017 and about 500 operating jobs thereafter during its 18-year life.<sup>10</sup>

<sup>1</sup> Scotiabank and TD Economics both predict that BC's GDP and employment growth will be higher than the Canadian average in 2016. Source: Scotiabank, Global Forecast Update, March 2, 2016, and TD Economics, Provincial Economic Forecast, January 26, 2016.

<sup>2</sup> Sasa Petricic, "Massive Layoffs Coming as China Confronts its Overbuilt 'Zombie Economy'," CBC News, March 3, 2016.

<sup>3</sup> Nelson Bennett, "Petronas Confirms Capital Spending Reductions," Business in Vancouver, January 22, 2016.

<sup>4</sup> Lisa Johnson, "Pacific NorthWest LNG Decision Delayed as Ottawa Asks More Questions," CBC News, March 21, 2016.

<sup>5</sup> Jonny Wakefield, "AltaGas Shelves Douglas Channel LNG Plans," Alaska Highway News, February 25, 2016.

<sup>6</sup> George Baker, "Canfisco Cannery Closing Operations in Prince Rupert," CBC News, November 12, 2015.

<sup>7</sup> "Canfisco Closure Raised in Monday Session of Legislature," North Coast Review, November 17, 2015.

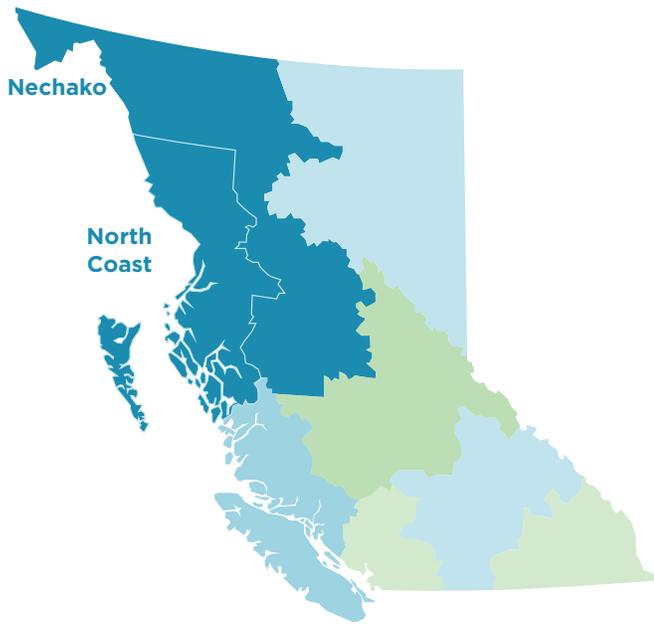
<sup>8</sup> Jeff Kyba, British Columbia Ministry of Energy and Mines, "Exploration and Mining in the Skeena Region, British Columbia," Provincial Overview of Exploration and Mining in British Columbia, 2015.

<sup>9</sup> Chris Gareau, "Huckleberry Mine Set to Stop all Operations Aug. 31," Smithers Interior News, February 4, 2016.

<sup>10</sup> Bruce Constantineau, "Brucejack Project Bucks Global Metal Prices," Vancouver Sun, August 13, 2015.

## Table of Contents

Executive Summary .....	3
Introduction .....	5
WORK Indicators .....	8
Job Creation .....	8
Unemployment Rate .....	10
INVEST Indicators .....	11
Business & Investment Activity .....	11
Bankruptcies .....	14
LIVE Indicators .....	16
Educational Attainment .....	16
Consumer Insolvencies .....	17



Northwest BC comprises the resource-rich North Coast and Nechako development regions. In previous *CPABC Regional Check-Up* reports these two regions were reported on separately; they are now combined into Northwest BC for easier reading, as four of seven economic indicators<sup>11</sup> aggregate North Coast and Nechako data.

Geographically, Northwest BC is a vast area. It makes up approximately one-third of BC, extending from the Yukon border in the north to the Queen Charlotte Islands in the southwest, and across to the communities of Vanderhoof and Fort St. James in the east.

An estimated 96,262 residents, or 2.1% of the provincial population, resided in Northwest BC in 2015.<sup>12</sup> The largest communities are Prince Rupert, Terrace,

and Kitimat in the North Coast, and Smithers and Vanderhoof in the Nechako. Last year, Northwest BC's population declined by 1,126 residents, or 1.2%. The greatest outmigration occurred in the North Coast, which reported 960 fewer residents. In contrast, BC as a whole saw a 1.0% population increase in 2015.

In 2015, BC's economy forged ahead in the face of turmoil in the global oil market and ongoing weakness in metal prices. Provincial GDP increased by 2.2%,<sup>13</sup> consumer spending rose by a robust 6.8%,<sup>14</sup> and housing sales soared by 22%.<sup>15</sup> BC's exports were subdued, however, increasing by half a percent over the value recorded in 2014.<sup>16</sup> The forest sector performed well with the value of wood product shipments climbing by 4.7% due to increased US housing starts and a weak Canadian dollar.<sup>17</sup> The value of natural gas and coal exports, however, plunged by 44.2% and 15.6% respectively, and is largely responsible for the restrained growth in BC's exports.

In Northwest BC, mineral exploration activity declined for the third consecutive year in 2015,<sup>18,19</sup> and several proposed mine developments were put on hold<sup>20</sup> due to poor prices for some metals and minerals. The Endako molybdenum mine near Fraser Lake in the Nechako was put on care and maintenance in mid-2015, terminating nearly 300 employees.

<sup>11</sup> Statistics Canada aggregates North Coast and Nechako Development Region data for our job creation, unemployment rate, youth unemployment rate, and educational attainment indicators due to their small population base.

<sup>12</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>13</sup> TD Economics, Provincial Economic Forecast Update, January 26, 2015.

<sup>14</sup> Statistics Canada, Retail Trade, Sales by the North American Industry Classification System, CANSIM Table 080-0020.

<sup>15</sup> BC Real Estate Association, "December Smashes Home Sales Record and 2015 Enters Record Book," Press Release, January 15, 2016.

<sup>16</sup> BC Stats, Exports (BC Origin) 2006-2015, released April 2016.

<sup>17</sup> BMO Capital Markets, Provincial Monitor, November 2015.

<sup>18</sup> Jeff Kyba, British Columbia Ministry of Energy and Mines, "Exploration and Mining in the Skeena Region, British Columbia," Provincial Overview of Exploration and Mining in British Columbia, 2016.

<sup>19</sup> C. Paul Jago, British Columbia Ministry of Energy and Mines, "Exploration and Mining in the Omineca and Northeast Regions, British Columbia," Provincial Overview of Exploration and Mining in British Columbia, 2016.

<sup>20</sup> BC Ministry of Finance, BC Major Projects Inventory, September 2015.

Other mines, such as the Huckleberry copper-gold-silver-molybdenum mine south of Smithers, were less affected by market conditions and continued to operate throughout 2015.

In the North Coast, the Red Chris copper-gold mine, which was completed in late 2014, recorded its first year of production. Rio Tinto's aluminium smelter in Kitimat ramped up in 2015, following the completion of its massive modernization project. Brucejack, a high-grade gold property north of Stewart, received permitting and initial financing, allowing it to begin construction on its underground mine.<sup>21,22</sup>

Liquefied natural gas (LNG) projects in the North Coast continued to be challenged by hurdles related to permitting and low market prices in 2015, causing delays and the deferral of investment decisions. In spite of this, several new LNG proposals were added to the region's inventory of projects last year. Furthermore, as of September 2015, six LNG-related projects in the North Coast still had plans to proceed in 2016.<sup>23</sup>

Port activity plays an important role in Northwest BC's transportation system and economy. Exports and imports are shipped via rail and truck along Canada's Pacific Gateway, a network that connects North

America to the world, to and from the ports of Prince Rupert, Kitimat, and Stewart. In 2015, traffic was down marginally through the port of Prince Rupert, primarily due to a 63% drop in the export of steel-making metallurgical coal. However, container traffic was at an all time high, and wood pellets and log shipments climbed dramatically.<sup>24,25</sup> Further north, 2015 marked the grand opening of Stewart World Port, the first commercial wharf built on BC's coast in over 30 years. Outbound cargoes from this port include bulk mineral concentrates, wood chips and pellets, LNG, and coal.<sup>26</sup>

Another important and historic contributor to Northwest BC's economy is the region's forests, which support logging activity, wood products manufacturing, and trucking employment, and generate many economic spin-offs. The forest industry is, in fact, the mainstay of a number of communities in the Nechako Development Region, where the viability of some operations was adversely impacted by a tightening timber supply as the harvest of pine beetle-infested wood tapers off. Increased demand from the US in 2015, however, boosted overall lumber production in BC's Northern Interior region<sup>27</sup> and shipments were up by 13.2% over 2014.<sup>28</sup>

<sup>21</sup> Jeff Kyba, *British Columbia Ministry of Energy and Mines, "Exploration and Mining in the Skeena Region, British Columbia,"* Provincial Overview of Exploration and Mining in British Columbia, 2016.

<sup>22</sup> As initial financing and certificates/permits for the Brucejack development were not in place until September, this project is not included as a development under construction in the INVEST section of this report—major project status reported is effective as of Q3 2015.

<sup>23</sup> BC LNG (Douglas Channel) Energy Project, Kitsault LNG Facility, Pacific Northwest LNG, Prince Rupert LNG, Prince Rupert Gas Transmission Project and Canada Stewart Energy Project. Source: BC Ministry of Finance, BC Major Projects Inventory, September 2015.

<sup>24</sup> Prince Rupert Port Authority, "Cargo Performance Proves Port's Resilience In Shifting Economic Conditions," Press Release, January 22, 2016.

<sup>25</sup> Prince Rupert Port Authority, Monthly Traffic Summary, December 2015.

<sup>26</sup> Stewart World Port, Press Release, September 16, 2015.

<sup>27</sup> This forest region also includes the Northeast Development Region, the northern part of the Cariboo Development Region, the Yukon, and Northwest Territories/Nunavut. Source: BC Ministry of Forests, Lands and Natural Resource Operations, Northern Interior Forest Region, website: <https://www.for.gov.bc.ca/rni>.

<sup>28</sup> Statistics Canada, Lumber Production, Shipments and stocks, Canada and Provinces, annual, CANSIM Table 303-0064.

# CPABC Regional Check-Up 2016

## Comparison between Development Regions

### DEMOGRAPHICS



**Population in BC:** 4,683,139 residents



- Thompson-Okanagan (+1.5%)
- Mainland/Southwest (+1.2%)
- Vancouver Island/Coast (+0.9%)
- Kootenay (-0.1%)
- Northeast and Northwest BC\* (-1.2%)
- Cariboo (-1.7%)

**90%** of BC's residents live in Mainland/Southwest, Vancouver Island/Coast, and Thompson-Okanagan.

### WORK



**New Jobs in BC:**  
**+27,800**

**Unemployment Rate in BC:** **6.2%**

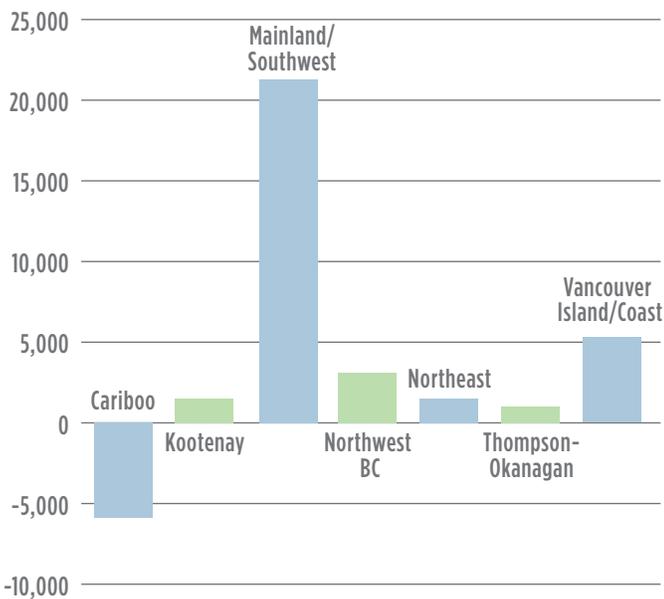
**~2/3** of jobs created were in the service sector.



#### Unemployment Rate across BC:

	2014	2015	Change
Kootenay	6.9%	7.4%	+0.5%
Cariboo	6.0%	7.0%	+1.0%
Northwest BC	8.0%	7.0%	-1.0%
Thompson-Okanagan	6.3%	6.4%	+0.1%
Vancouver Island/Coast	6.1%	6.3%	+0.2%
Mainland/Southwest	6.0%	6.0%	+0.0%
Northeast	4.9%	5.9%	+1.0%
BC	6.1%	6.2%	+0.1%

#### Job Creation across BC:



**Youth Unemployment Rate in BC:**

**+0.7% to 9.9%**

Youth unemployment is highest in Kootenay, Cariboo, and Mainland/Southwest.

\*Northwest BC is made up of the Nechako and North Coast development regions.

Source: CPABC Regional Check-Up 2016. All numbers are from 2015. Increases/decreases are in comparison to 2014 data.

# WORK Indicators

## Job Creation

Considerable infrastructure development in Northwest BC during the past several years (refer to INVEST section)

has provided both locals and transient non-local workers with employment opportunities. The temporary workforce, which can be relatively high for some projects, is not represented in Statistics Canada's job creation or unemployment rate data.



Job creation is defined as the net number of jobs either created or eliminated in any given year. It is a key indicator of the general health of the economy. In 2015, Northwest BC led the province in the rate of job growth. An estimated 3,100 new jobs were created, or a 7.9% gain, which drove total employment up to 42,200 jobs. Most encouraging is the fact that virtually all of the new jobs created were full-time positions. With the exception of the Cariboo Development Region, which saw employment plummet by 6.9%, the rest of the province also enjoyed overall job creation in 2015.

Last year's employment growth occurred largely in the goods sector, which saw a net gain of 2,400 jobs in the region. The manufacturing industry added 2,200 new workers primarily in wood processing, offsetting the combined contraction of 800 positions in the construction and forestry, fishing, mining, oil and gas industries. Rio Tinto's newly modernized aluminium

smelter commenced operations, and the Red Chris Mine achieved commercial production in 2015, generating further employment in manufacturing, and also marking the end of many construction jobs. In the Nechako, the completion of the Lakes District Hospital replacement and a general downturn in construction activity further dampened construction employment.<sup>29</sup>

In 2015, Northwest BC's service sector expanded by 800 jobs. Employment in trade rose sharply, expanding by 1,500 workers, while health care & social assistance added 300 new positions. Gains in the trade industry occurred at both the wholesale and retail levels,<sup>30</sup> with new workers hired steadily throughout most of 2015.<sup>31</sup> The increase in the health care & social assistance employment is due to the creation of new jobs in the social assistance sub-industry, which were partially offset by a loss of workers in the region's hospitals.<sup>32</sup>

Job creation in trade and health care & social assistance was moderated by the combined contraction of 1,100 positions in the accommodation & food services, educational services, and transportation & warehousing industries.

<sup>29</sup> The value of building permits declined by 57% (-\$36.5 million) from 2014. Source: BC Stats, British Columbia Building Permits for Development Regions and Regional Districts, by Type 2006 - 2015, February 9, 2016.

<sup>30</sup> Statistics Canada, Labour Force Survey Estimates, Custom Table.

<sup>31</sup> Statistics Canada, Labour Force Survey Estimates, Employment by Economic Region and North American Industry Classification System (NAICS), Monthly, CANSIM Table 282-0124.

<sup>32</sup> Statistics Canada, Labour Force Survey Estimates, Custom Table.

Employment in the accommodation & food services industry fluctuates with major project activity. The conclusion of several large projects last year, and the subsequent decline in the number of temporary and non-local workers travelling to Northwest BC reduced demand for, and employment in, some of the region's accommodation, and eating and drinking

establishments. There was a decline in staffing levels at the elementary and secondary school levels, corresponding with a decline in the region's student headcounts, which have been on a downward trajectory for several years.<sup>33</sup> In the Nechako, two schools closed in 2015 due to a dramatic drop in enrolment.<sup>34</sup>

**Table 1-1: Employment, Northwest BC, 2010 to 2015<sup>35</sup>**

	2010	2011	2012	2013	2014	2015	Job Creation (000)	
							5-Year 2010-15	1-Year 2014-15
<b>TOTAL EMPLOYMENT (000)</b>	<b>41.2</b>	<b>43.5</b>	<b>39.8</b>	<b>40.7</b>	<b>39.1</b>	<b>42.2</b>	<b>+1.0</b>	<b>+3.1</b>
<b>Goods-Producing Sector (000)</b>	<b>11.9</b>	<b>11.5</b>	<b>12.1</b>	<b>11.2</b>	<b>11.2</b>	<b>13.6</b>	<b>+1.7</b>	<b>+2.4</b>
Agriculture	x	x	x	x	x	x	n/a	n/a
Forestry, fishing, mining, oil and gas	3.3	2.5	2.4	3.0	2.9	2.8	-0.5	-0.1
Utilities	x	x	x	x	x	x	n/a	n/a
Construction	2.3	3.2	4.7	3.9	4.8	4.1	+1.8	-0.7
Manufacturing	5.6	5.1	4.5	3.8	3.1	5.3	-0.3	+2.2
<b>Services-Producing Sector (000)</b>	<b>29.3</b>	<b>32.0</b>	<b>27.7</b>	<b>29.5</b>	<b>27.9</b>	<b>28.7</b>	<b>-0.6</b>	<b>+0.8</b>
Trade	7.3	5.4	5.2	5.9	5.4	6.9	-0.4	+1.5
Transportation & warehousing	3.0	4.1	2.7	2.0	2.7	2.6	-0.4	-0.1
Finance, insurance, real estate & leasing	x	x	x	1.5	x	1.5	n/a	n/a
Professional, scientific & technical services	2.3	1.7	1.5	1.6	1.7	x	n/a	n/a
Business, building & other support services	x	1.5	x	x	x	x	n/a	n/a
Educational services	2.4	4.4	3.3	4.3	3.4	3.0	+0.6	-0.4
Health care & social assistance	5.0	5.5	4.5	3.6	4.4	4.7	-0.3	+0.3
Information, culture & recreation	x	x	x	x	x	x	n/a	n/a
Accommodation & food services	2.4	3.0	2.5	2.3	3.8	3.2	+0.8	-0.6
Other services	x	2.4	1.9	1.8	x	1.7	n/a	n/a
Public administration	2.1	2.1	2.5	3.9	1.7	1.7	-0.4	0.0

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

<sup>33</sup> BC Ministry of Education, "Student Statistics—2015/16," District Reports, January 2016. School Districts #091, #054, #087, #092, #082, #052, and #050.

<sup>34</sup> BC School District No. 91, Board Minutes, June 22, 2016 and District No. 91 schools listing.

<sup>35</sup> Industries with "x" 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 measures the share of the labour force that is unemployed and actively seeking employment. Northwest BC's unemployment rate declined by one percentage point (ppt) to reach 7.0% in 2015. It was the only region in BC to report a decrease in the unemployment rate last year.

While the size of the labour force in Northwest BC increased by 2,900 workers last year, this was

outstripped by the availability of 3,100 new jobs, mostly full-time positions.

Despite this recent progress, unemployment in the region remains higher than the provincial average rate of 6.2%.

*See our summary infographic for regional comparisons.*

**Table 1-2: Unemployment Rate, Northwest BC, 2010 to 2015**

Region	2010	2011	2012	2013	2014	2015	Percentage Point (ppt) Change	
							5-Year 2010-15	1-Year 2014-15
<b>Northwest BC</b>	<b>9.6%</b>	<b>8.6%</b>	<b>11.0%</b>	<b>6.9%</b>	<b>8.0%</b>	<b>7.0%</b>	<b>-2.6 ppt</b>	<b>-1.0 ppt</b>
British Columbia	7.6%	7.5%	6.8%	6.6%	6.1%	6.2%	-1.4 ppt	+0.1 ppt

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

The story was different for young workers in Northwest BC. Labour market conditions for workers aged 19 to 24 deteriorated in 2015, as the availability of young workers grew faster than the number of jobs available. As a result, the youth unemployment rate grew by 1.6 ppt to 8.6%

Despite this setback, Northwest BC's youth unemployment rate remained significantly lower in 2015

than rates seen in years prior to 2014. Furthermore, when compared with other development regions, the region's youth unemployment rate was third lowest in the province last year.

*See our summary infographic for regional comparisons.*

**Table 1-3: Youth (aged 19 to 24 years) Unemployment Rate, Northwest BC, 2010 to 2015**

Region	2010	2011	2012	2013	2014	2015	Percentage Point (ppt) Change	
							5-Year 2010-15	1-Year 2014-15
<b>Norhtwest BC</b>	<b>22.0%</b>	<b>12.1%</b>	<b>11.6%</b>	<b>11.1%</b>	<b>7.0%</b>	<b>8.6%</b>	<b>-13.4 ppt</b>	<b>+1.6 ppt</b>
British Columbia	11.3%	11.8%	11.3%	10.7%	9.2%	9.9%	-1.4 ppt	+0.7 ppt

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

# INVEST Indicators

## Business and Investment Activity



Capital investment in public and private infrastructure contributes to economic growth

through the creation of jobs, local spending, and increasing long-term labour productivity. BC's *Major Projects Inventory* reveals that the value of capital projects in the province that were proposed, underway, completed, or on hold, rose from \$377 to \$450 billion between the third quarter of 2014 and the third quarter of 2015.<sup>36</sup>

Much of this increase is due to multi-billion dollar LNG projects proposed for the North Coast which have now been assigned an estimated capital cost, or have been re-valued from last year, along with several large new developments that were proposed. The value of projects under construction in BC, however, dipped by 2.6%, from \$81.7 billion to \$79.6 billion during the same period. Investor uncertainty due to the global slump in energy markets and continued weak metal prices resulted in the deferral of some projects last year.

In Northwest BC, the estimated value of major projects soared by 51% or \$79.5 billion in 2015.<sup>37</sup> As of September 2015, there were 83 projects either under construction, proposed, or on hold worth \$234.4 billion in the region. This equates to just over half of the value of BC's capital investment, however, nearly all of these projects are in the proposal stage (56 projects) or on hold (17 projects).

The inventory of projects planned for Northwest BC was estimated at \$217.2 billion in the third quarter of 2015. Approximately 55% of this value is attributed to fourteen LNG developments, six of which have not yet been assigned a capital cost, 19% to petrochemical manufacturing, 18% to pipelines, and 6% to mining.<sup>38</sup> Approximately \$3.9 billion worth of projects in the proposal phase are planned for the Nechako, with the remainder slated for the North Coast.

In 2015, seven new developments were added to the inventory of projects proposed for the region. The largest is the ESE Synthetic Crude Pipeline with an estimated capital cost of \$18 billion. This proposed pipeline is intended to transport synthetic crude from Alberta to Lax Kw'alaams, a small community north of Prince Rupert. Other large projects include two new LNG-related developments, also planned for Prince Rupert—Watson Island LNG (an export terminal), and New Times LNG Facility (a floating LNG plant). In Kitimat, Cedar LNG is planning a processing facility for three sites on the Douglas Channel. None of these had an assigned capital cost as of the third quarter of 2015.

<sup>36</sup> BC Ministry of Finance, *Major Projects Inventory, September 2015*.

<sup>37</sup> *Ibid.*

<sup>38</sup> *Ibid.*

According to the *Major Projects Inventory*, nine proposed developments estimated at \$65.7 billion are scheduled to proceed in 2016. All are located in the North Coast, and the costliest ones, which are listed below, relate to LNG:

- **Kitsault LNG Facility** (\$34 billion) north of Alice Arm;
- **Pacific Northwest LNG** (\$11.4 billion) and **Prince Rupert LNG** (\$10 billion) near Prince Rupert;
- **BC LNG Energy Project** (\$600 million) near Kitimat; and
- **Canada Stewart Energy Project** near Stewart (no estimated value).

Other major projects that are valued over \$1 billion and set to proceed in 2016 include the \$2.9 billion Schaft Creek Porphyry Copper-Gold Mine near Iskut, and the \$1 billion Avanti Kitsault Mine located at Alice Arm.

The value of major projects on hold in Northwest BC rose by 19%, from \$12.7 billion to \$15.1 billion between the third quarters of 2014 and 2015, as three projects were deferred. Nearly three-quarters of the value of projects on hold are attributed to mining developments, and most of the remaining quarter is for utility projects such as wind, hydro power, and biomass. Projects are often put on hold due to difficulties with the various permits required, adverse market conditions, and economic viability.

Between the third quarter of 2014 and the third quarter of 2015, seven major projects were completed. With

the exception of the \$55 million Lakes District Hospital Replacement in Burns Lake, all of the projects that wrapped up are located in the North Coast. These include:

- **Smelter Modernization Project** (\$4.8 billion), Kitimat—This massive upgrade project undertaken by Rio Tinto aims to cut the smelter's emissions in half, and double capacity. Approximately \$561 million in direct local spending was generated during construction, and at peak, 3,500 workers were on site.<sup>39</sup>
- **Red Chris Porphyry Copper/Gold Project** (\$643 million), Iskut—Imperial Metal's new open pit mine is anticipated to produce 30,000 tonnes per day of ore until 2043. It is the first operation powered by BC Hydro's Northwest Transmission Line (NTL). Concentrate from the mine is trucked to Stewart Bulk Terminals.<sup>40</sup>
- **Iskut Extension Project** (\$209 million), Iskut—This 93 kilometre extension from the terminus of the NTL connects to the Red Chris Mine.<sup>41</sup>
- **Ridley Terminals Expansion** (\$200 million), Prince Rupert—Ridley's expansion is anticipated to double the shipping capacity of the terminal to approximately 24 million tonnes per year.<sup>42</sup> Road, Rail, and Utility Corridor (\$90 million), Prince Rupert—These infrastructure upgrades to the Ridley Island industrial site are intended to facilitate further port development.
- **Volcano Creek 16 MW Hydroelectric Project** (\$40 million), Stewart—Volcano Creek has the capacity to power 4,000 homes and is one of several run-of-the-river hydroelectric facilities that will tie into the NTL.<sup>43</sup>

<sup>39</sup> Keith Powell, "Rio Tinto Re-opens Modernized Kitimat Aluminium Smelter," Canadian Mining & Energy, July 2015.

<sup>40</sup> Imperial Metals, "Overview," website: <http://www.imperialmetals.com/our-operations-and-projects/operations/red-chris-mine/overview>.

<sup>41</sup> BC Ministry of Finance, Major Projects Inventory, September 2015.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

Projects under construction in Northwest BC as of the third quarter of 2015 are estimated at \$2.0 billion and are related to utilities, mining, and port development. This is down substantially, by 73% or \$5.4 billion, from September 2014. In the North Coast, work on three hydro generation projects totalling \$313 million is still in progress, but is close to completion.

Near Kitimat, Rio Tinto's \$500 million Kemano Tunnel project is partially complete, but is awaiting a decision to proceed with phase two. Fort St. James Green Energy's \$235 million 40 MW state-of-the-art, biomass-fired electricity generation facility is underway in the Nechako, with a completion date planned for 2016.

Also in the Nechako, the Huckleberry Mine continued its work on a \$201 million extension to lengthen the mine's life by seven years, however, by early 2016, the mine suspended pit operations and announced a first round of layoffs due to low copper prices.<sup>44</sup>

The *Major Projects Inventory* reports that construction on the \$450 million Tulsequah Chief Mine redevelopment near Atlin is proceeding, but other sources indicate that the project is still awaiting capital investment.<sup>45,46</sup> The Brucejack mine, north of Stewart in the North Coast, commenced construction in late 2015.<sup>47</sup>

Projects that relate to port development and are currently underway include Prince Rupert's \$200 million<sup>48</sup> Fairview Container Terminal Expansion, along with the Port of Stewart's \$70 million phase three expansion of their mineral concentrates and log exports facilities.

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<sup>44</sup> Imperial Metals, "Overview," website: <http://www.imperialmetals.com/our-operations-and-projects/operations/huckleberry-mine/overview>.

<sup>45</sup> The Ministry of Mines reports that this mine is permitted for construction and is still awaiting capital investment. Source: Jeff Kyba, British Columbia Ministry of Energy and Mines, "Exploration and Mining in the Skeena Region, British Columbia," Provincial Overview of Exploration and Mining in British Columbia, 2015.

<sup>46</sup> The Chieftain Metals website indicates the project is at an advanced development stage as of March 31, 2016.

<sup>47</sup> Jeff Kyba, British Columbia Ministry of Energy and Mines, "Exploration and Mining in the Skeena Region, British Columbia," Provincial Overview of Exploration and Mining in British Columbia, 2015. This project was recorded as "proposal" in the September 2015 version of the Major Projects Inventory.

<sup>48</sup> The capital cost of the Fairview Container Terminal Expansion was revised downwards from \$650 million to \$200 million in 2015.

## Bankruptcies

Although business bankruptcies occur for many reasons, they generally reflect the state of the economy. When the economy is robust, the number of business failures often decline; conversely, reduced sales and revenue in difficult times can lead to financial issues.

Between 2010 and 2015, Northwest BC consistently enjoyed relatively low levels of business bankruptcies. There were no recorded bankruptcies in the Nechako in four of these years, while the North Coast reported no failures in three of these years. Prior to 2010, the number of bankruptcies was significantly higher in both regions.

In 2015, the North Coast experienced a slight deterioration in the business climate with two

businesses declaring bankruptcy. The substantial decline in major project construction may have negatively impacted the revenues of some businesses, particularly those providing accommodation and food services. Nechako, however, posted another year of zero bankruptcies in 2015. In total, business bankruptcies in BC declined by 23.5% from 200 to 153 reports in 2015.

Aside from the North Coast, the Cariboo was the only other development region in the province to record an increase in business failures.

*See our summary infographic for regional comparisons.*

**Table 1-4: Business Bankruptcies, Northwest BC, 2010 to 2015**

	2010	2011	2012	2013	2014	2015	Percentage Change	
							5-Year 2010-15	1-Year 2014-15
Nechako	4	1	0	0	0	0	-4	0
North Coast	0	2	2	0	0	2	+2	+2

Source: Office of the Superintendent of Bankruptcy Canada

# CPABC Regional Check-Up 2016

## Comparison between Development Regions



### Major Projects in BC:

**352** major projects are currently under construction. Over half are in Mainland/Southwest.



### Value of Major Projects Under Construction:

**-5.3%** to **\$75.4 billion**

### Business Bankruptcies in BC:

**-23.5%** to **153 reports**

Only Cariboo and North Coast saw an increase in the number of reported business bankruptcies.



### Educational Attainment in BC:



**70.2%** of BC's labour force has a post-secondary degree or higher.

- #1 Mainland/Southwest (72.4%)
- #2 Vancouver Island/Coast (69.9%)
- #3 Kootenay (69.1%)
- #4 Thompson-Okanagan (66.3%)
- #5 Northwest BC (58.7%)
- #6 Cariboo (56.2%)
- #7 Northeast (53.8%)

### Consumer Insolvencies in BC:



#### Personal Bankruptcies:

1.5 per 1,000 adults or **-11.8%**

#### Consumer Proposals:

1.5 per 1,000 adults or **+15.4%**

Increases in the number of consumer proposals drove up the insolvency rate in Cariboo, Kootenay, and Northwest BC.

\*Northwest BC is made up of the Nechako and North Coast development regions.

Source: CPABC Regional Check-Up 2016. All numbers are from 2015. Increases/decreases are in comparison to 2014 data.

# LIVE Indicators

## Educational Attainment

Higher levels of education often correlate to increased productivity, personal wealth generating potential, and well-being.



The share of Northwest BC's labour force between the ages of 25 and 54 with a post-secondary certificate/diploma or higher increased by 4.6 ppt to 58.7% in 2015. This improvement in educational attainment was due to a gain of 2,400 workers with advanced credentials in the labour force.

Detailed statistics show that approximately 1,600 of these workers hold certificates or diplomas, and 800 have university-level degrees, and that the majority are employed full-time. It is likely that much of the

region's advancement in attainment can be attributed to the start-up of the Red Chris Mine and the Kitimat Aluminium Smelter last year, as both operations required workers with a post-secondary certificate or higher.

The region recorded the largest increase in educational attainment in our province in 2015. Looking at employment statistics among the various cohorts of educational attainment, Statistics Canada data shows that the share of the labour force aged 25 to 54 with at least a bachelor's degree grew by 6.5% in 2015, while the share of those with educational attainment above a bachelor's degree increased by 42.9%. There was a corresponding rise in the number of workers employed full-time at this level of education.

*See our summary infographic for regional comparisons.*

**Table 1-5: Percent of Labour Force Aged 25 to 54 with a Post-Secondary Certificate/Diploma or Higher, Northwest BC, 2010 to 2015**

Region	2010	2011	2012	2013	2014	2015	Percentage Point (ppt) Change	
							5-Year 2010-15	1-Year 2014-15
Northwest BC	53.8%	58.5%	54.9%	55.9%	54.1%	58.7%	+4.9 ppt	+4.6 ppt
British Columbia	64.3%	65.9%	66.5%	67.9%	68.1%	70.2%	+5.9 ppt	+2.1 ppt

Source: Statistics Canada, Labour Force Survey, Custom Table

## Consumer Insolvencies

The consumer insolvency rate is the number of personal insolvencies per 1,000 adults (aged 18 and over). Our indicator includes both personal bankruptcies and consumer proposals.

A consumer proposal is an arrangement that allows an indebted consumer to repay part of their debt, and keep their assets as long as the individual continues to make payments on any loans secured by those assets, for example a home mortgage. It is an increasingly popular alternative to declaring bankruptcy. The most common causes of insolvency include, but are not limited to, job loss, a decline in income, money mismanagement, relationship breakdown, or medical problems.

The insolvency rate in the Nechako plummeted by 29.2% to 1.7 per 1,000 adults. A marked decline in both the number of bankruptcies and proposals contributed

to last year's improvement. In contrast, consumers in the North Coast experienced an 18.2% increase in insolvencies as both the number of bankruptcies and proposals rose, which edged the insolvency rate up to 1.3 per 1,000 adults. Layoffs in some industries, such as construction and accommodation and food services, have put pressure on the region's social safety net. The number of individuals receiving Employment Insurance (EI) also jumped considerably.<sup>49</sup>

Despite this deterioration, the North Coast's consumer insolvency rate remained the lowest in BC, with the Nechako ranking a close second. Northwest BC as a whole sits well below the provincial average insolvency rate of 3.0 per 1,000 adults.

*See our summary infographic for regional comparisons.*

**Table 1-6: Annual Consumer Insolvency Rate per 1,000 Adults (Aged 18 Years and Older), Northwest BC, 2010 to 2015**

Rate		2010	2011	2012	2013	2014	2015	Percentage Point (ppt) Change	
								5-Year 2010-15	1-Year 2014-15
Nechako	<b>Insolvency</b>	<b>4.3</b>	<b>2.3</b>	<b>1.8</b>	<b>2.0</b>	<b>2.4</b>	<b>1.7</b>	<b>-60.5%</b>	<b>-29.2%</b>
	Bankruptcy	3.6	1.8	1.3	1.3	1.4	1.1	-69.4%	-21.4%
	Proposal	0.8	0.6	0.5	0.7	0.9	0.6	-25.0%	-33.3%
North Coast	<b>Insolvency</b>	<b>3.6</b>	<b>1.9</b>	<b>2.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.3</b>	<b>-63.9%</b>	<b>+18.2%</b>
	Bankruptcy	3.0	1.5	1.6	0.9	0.7	0.8	-73.3%	+14.3%
	Proposal	0.6	0.5	0.6	0.3	0.4	0.5	-16.7%	+25.0%
BC	Insolvency	3.5	3.2	3.2	3.2	3.0	3.0	-14.3%	0.0%

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

<sup>49</sup> Statistics Canada, "Employment Insurance Program (EI), Beneficiaries by Province, Census Division," Employment Insurance Statistics - Monthly, CANSIM Table 276-0035. An estimated 16% increase in the number of EI beneficiaries in 2015.

## **CPABC *Regional Check-Up* – Northwest BC**

As leaders in analyzing 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 British Columbia prepare the *CPABC Regional Check-Up* and *BC 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 *BC Check-Up* reports, as well as related information, are available online at [www.bccheckup.com](http://www.bccheckup.com).

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Opinions expressed in the *CPABC Regional Check-Up – Northwest BC* do not necessarily reflect those of individual chartered professional accountants.

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