



STATE OF THE ISLAND ECONOMIC

REPORT 2016



VANCOUVER ISLAND
ECONOMIC ALLIANCE

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STATE OF THE ISLAND ECONOMIC REPORT

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PRESIDENT'S PERSPECTIVE

Vancouver Island Economic Alliance

The Vancouver Island Economic Alliance is pleased to present our 2nd annual 'State of the Island' Economic Report. The first edition was widely used by public and private decisions-makers as a tool to help inform their business choices.

The 2015 Report was also used as foundational material for analysis and presentations focused at the community and regional levels and within sectors. And although we knew that producing this Report would require us to enter uncharted territory, we were not aware of just how uncharted this territory would be. We have since learned that VIEA's Economic Report is the only non-government, third-party report of its kind, embracing an entire geographic region, in British Columbia. This equips anyone referencing content from this report with statistical data in place of or in support of anecdotal information. This, in itself, can be helpful when developing a business case, strategic plan, or funding application—with the caveat from our MNP consultants that the report should not be used in place of more personalized professional advice. Also, as year-to-year information matures, we will have increasing ability to show trends—positive and negative—to enable us all to collaborate to take

President's Perspective — VIEA

advantage of opportunities and to advocate for improvements to address challenges.

As you know, the Economic Alliance is now ten years of age and celebrating the 10th annual 'State of the Island' Economic Summit. This seminal event, like the Economic Report, is designed to engage the attending delegates in consideration of trends, opportunities and issues important to the vitality and sustainability of our Island economy. Whereas the Economic Report content is determined by the availability of reliable and repeatable data complemented with editorial perspective, the Economic Summit content is decided by a committee of volunteers who keep their 'ears to the ground' to identify what people should know, what's trending, where opportunities are being missed, where awareness needs to be raised on emerging issues. Thus, the Economic Report uses statistical information to show us what has happened and what it might mean in the foreseeable future, while the Economic Summit uses presentation and dialogue to expose what is happening and to explore what could be happening. We think this is a powerful combination—equipping us all with solid information as well as progressive perspective.



Images from the State of the Island Economic Summit. October 2015, Nanaimo BC.

A FEW NOTES ABOUT THE REPORT ITSELF

The first Report (October 2015) was largely structured to illustrate what had happened on Vancouver Island since VIEA released the Regional Economic Analysis for Vancouver Island and Coast Region in 2009. In fact, the user-friendly, info-graphic style of the annual Report comes directly from our experience producing the 2009 regional analysis—full of valuable information but limited in its appeal because of its density and not easily repeatable for comparative analysis. The 2016 Report begins the annual year-to-year measurement which, over time, will show statistical trends with more precision.

Since some data does not change significantly year-to-year, we are deliberately not repeating some information included in the 2015 Report. Also, we have been able to identify additional sources of information for the 2016 Report that are specific to Vancouver Island. For instance, the source used for the wage information in the 2015 Report has not been updated so we have



Presentation at the
State of the Island Eco-
nomic Summit. October
2015, Nanaimo BC

President's Perspective — VIEA

Print copies of the State of the Island Economic Report are distributed each year to delegates at VIEA's annual Economic Summit. Electronic copies are archived and can be viewed at viea.ca

used an alternative source that provides wages by occupation for Vancouver Island.

Recognizing that reliable, repeatable data presently does not exist for certain segments of our Island economy, we are including editorial content in this edition to provide stories illustrating economic activity and trends. These stories are intended as perspective pieces using specific examples and representative surveys to indicate trends and to suggest potential regarding manufacturing, tech start-ups, and aboriginal business development. These are not comprehensive.

It is our desire that this information, made freely available to anyone interested—printed copies for Economic Summit delegates and the electronic version only a click away at viea.ca—will help inspire thought, temper decisions, increase awareness, and, perhaps, encourage new ideas.

Will Rogers once famously said: 'It's not what we don't know that gets us into trouble; it's what we know that ain't so.'

Sometimes the only thing limiting us is our own limiting perspective. We think Vancouver Island has enormous untapped potential. We think understanding this data can help us see opportunities. We hope moments of *aha*, *I didn't know that* and *wow* that you may have while reading this material will spur possibilities. We think it can be healthy sometimes to un-know what we know and in so doing liberate thought. We think it's time for Vancouver Island to develop and tout its competitive advantages.

We will continue to collaborate with stakeholders across Vancouver Island on initiatives to strengthen our economy wherever and whenever broad-based opportunities emerge.

George Hanson **PRESIDENT & CEO**
Vancouver Island Economic Alliance

LIMITATIONS

This report is provided for information purposes and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for personalized, professional advice.

We have relied upon the completeness, accuracy and fair presentation of all information and data obtained from public sources, believed to be reliable. The accuracy and reliability of the findings and opinions expressed in the presentation are conditional upon the completeness, accuracy and fair presentation of the information underlying them. As a result, we caution readers not to rely upon any findings or opinions expressed as complete and disclaim any liability to any party who relies upon them as such.

The findings and opinions expressed in the presentation constitute judgments as of the date of the presentation, and are subject to change without notice. MNP is under no obligation to advise of any change brought to its attention which would alter those findings or opinions. The reader must understand that our analysis is based upon projections, founded on past events giving an expectation of certain future events. Future events are not guaranteed to follow past patterns and results may vary, even significantly. Accordingly, we express no assurance as to whether the projections underlying the economic and financial analysis will be achieved.

Before taking any particular course of action, readers should consult their professional advisor to discuss matters in the context of their particular situation.

MNP

A YEAR IN REVIEW

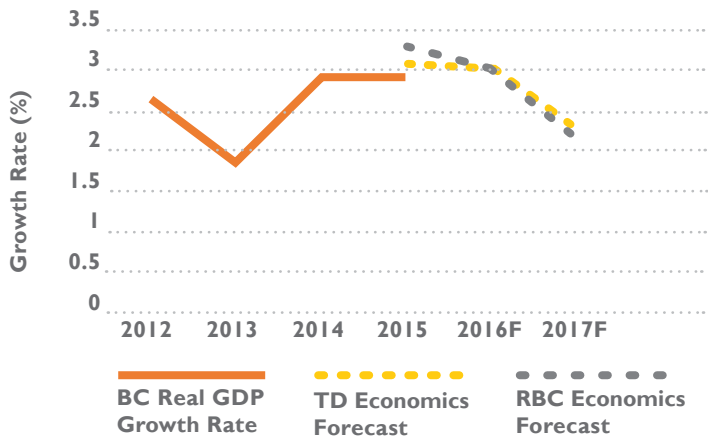
The Canadian economy underwent a period of adjustment in 2015 driven by declines in oil and other commodity prices, and declines in the value of the Canadian dollar. While these factors had a negative impact on growth in oil-producing provinces, BC benefited through increased exports to the US, population growth, and continued strength in the housing market.

In 2015, the economy of Vancouver Island experienced modest but sustained growth and this was expected to continue through 2016. The key factors contributing to growth on Vancouver Island were the strength in the US economy and the favourable exchange rates which had a positive impact on Forestry exports and Tourism, and population growth due to migration from other regions in Canada.

The increased economic activity was reflected in improvements in the housing market and modest increases in the level of employment. These trends continued in the first half of 2016 and there is some indication that growth on Vancouver Island in 2016 will be stronger due in part to spin-offs from the acceleration in the real estate market in Vancouver.

OUTLOOK FOR 2016

BC Real GDP Growth Rate



Source: BC Stats, BC GDP By Industry, TD Economics, Provincial Economics Forecast (July 6, 2016), RBC Economics, Provincial Outlook (June 2016)

Favourable economic conditions are expected to continue into 2017 and these are expected to benefit Vancouver Island's Tourism, Forestry and Aquaculture sectors.

GDP

Following a weak start in the first quarter, the global economy is expected to expand by approximately 3 percent in 2016.¹ The primary influences on global growth rates are lower energy and commodity prices which are negatively affecting growth in emerging markets, slower growth in China as the Chinese economy transitions to consumption and services, and continued modest growth in the United States.² This suggests that most advanced economies will experience modest but uneven growth into 2017.

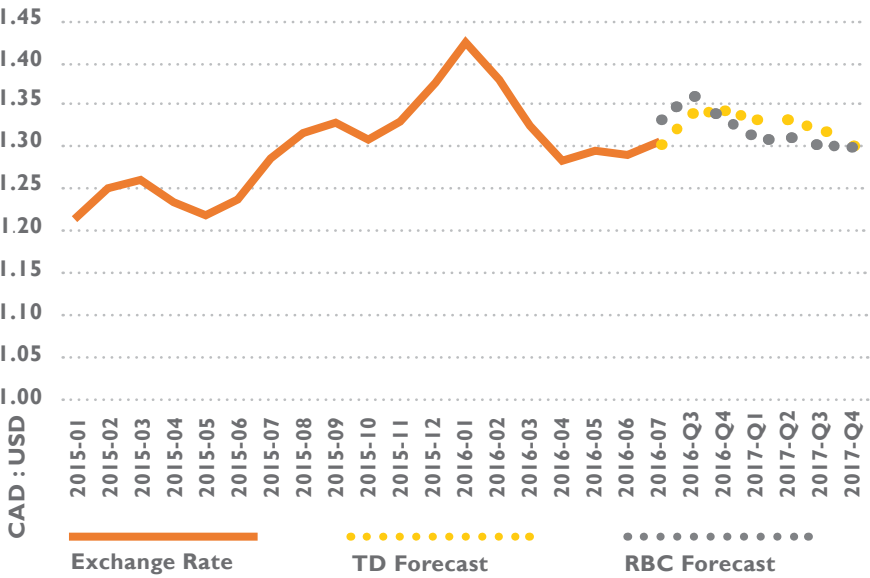
Economic conditions in BC have been relatively strong in the first half of 2016 and are expected to remain that way through the remainder of the year and into 2017 due to continued migration, exports to the United States and housing demand in the Lower Mainland. The value of the Canadian dollar appears to have stabilized and is expected to continue to trade in the range of 75 cents to 80 cents US. This is expected to contribute to continued strength in the Vancouver Island economy through Tourism, exports and consumer spending. Continued strength in the US economy is expected to benefit Vancouver Island's Aquaculture and Forestry sectors.

¹ Bank of Canada, Monetary Policy Report, July 2016.

² International Monetary Fund, World Economic Outlook, January 2016 and TD Economics, Quarterly Economic Forecast, June 2016.

Macroeconomic Indicators

Exchange Rate



Source: Bank of Canada, Monthly Average Exchange Rates, TD Economics "Dollars & Sense" July 28, 2016, RBC Economics "Financial Markets Forecast" August 2016.

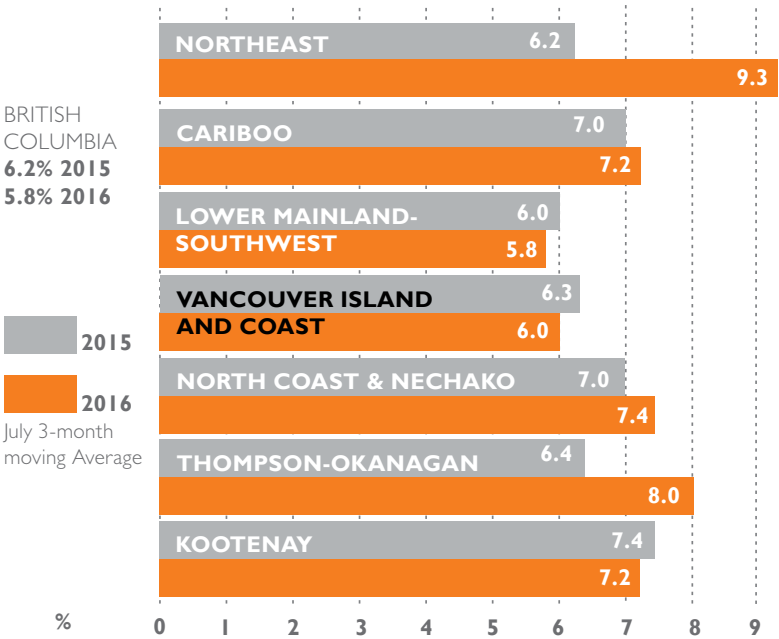
The CAD is expected to continue to trade in the range of 75 to 80 cents US and this is expected to continue to have a positive impact on Tourism, Forestry and other export sectors.

As expected the Canadian dollar continued to lose value relative to the currencies of major trading partners at the beginning of 2016. Gains in oil prices led to a recovery in value in the second quarter and since then the Canadian dollar has been trading between 75 and 80 cents US, a level similar to that in Q3 2015. Further appreciation is not expected in the near term and the favourable exchange rate is expected to provide continued support to exports and Tourism on Vancouver Island.

There is some indication that the relatively low value of the Canadian dollar is contributing to foreign investment in BC's residential property market. While the majority of this is believed to be in the Lower Mainland there has been some indication that there may be some spillovers to real estate markets in the southern regions of Vancouver Island as people sell property in Vancouver and relocate to more affordable markets.

Macroeconomic Indicators

Unemployment Rate by Region 2015 AND 2016



Source: Statistics Canada CANSIM Table 282-0123 and BC Stats Monthly Labour Force Statistics.

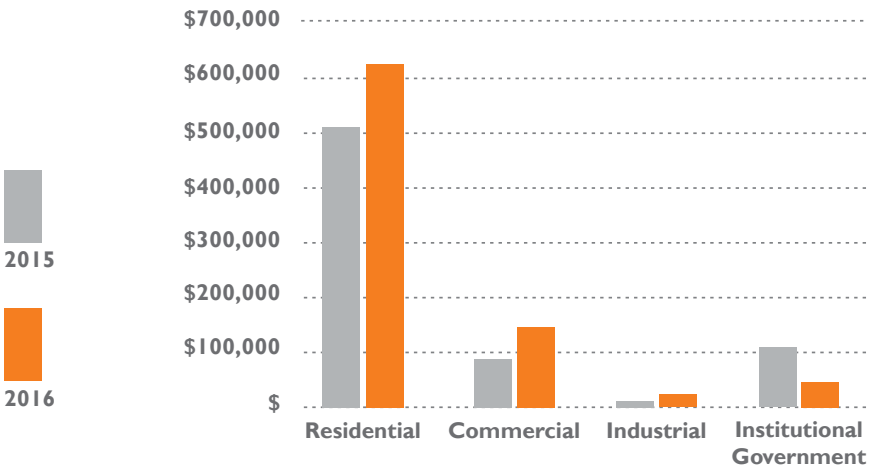
The positive economic outlook for Vancouver Island suggests that employment growth will continue due in part to gains in Construction and Real Estate, Forestry and Tourism related employment. This combined with continued migration suggests that the overall unemployment rate is likely to fall below 6 percent.

The unemployment rate on Vancouver Island increased marginally in 2015 and was higher year over year in the first quarter. However, in the second quarter the unemployment rate fell and has been trending lower since. These changes in the unemployment rate have been accompanied by increases in employment which suggests that the increase in the unemployment rate early in the year was the result of people entering the labour force, not lack of employment opportunities. This is consistent with migration patterns that suggest people from resource producing regions are likely relocating to BC in search of better employment prospects.

While the overall unemployment rate is expected to fall below 6 percent, there is expected to be significant differences between regions. Most of the Real Estate and Construction impacts are expected to be in the Capital and Nanaimo regions where most of the population growth is concentrated which suggests that these regions will see declines in unemployment. In contrast, there is likely to be less of an impact on unemployment in other regions where in-migration is lower and the economies are less diversified.

Infrastructure and Development

Building Permit Values JANUARY TO JUNE (in \$000s)



Source: Statistics Canada, Produced by BC Stats.

Housing Starts

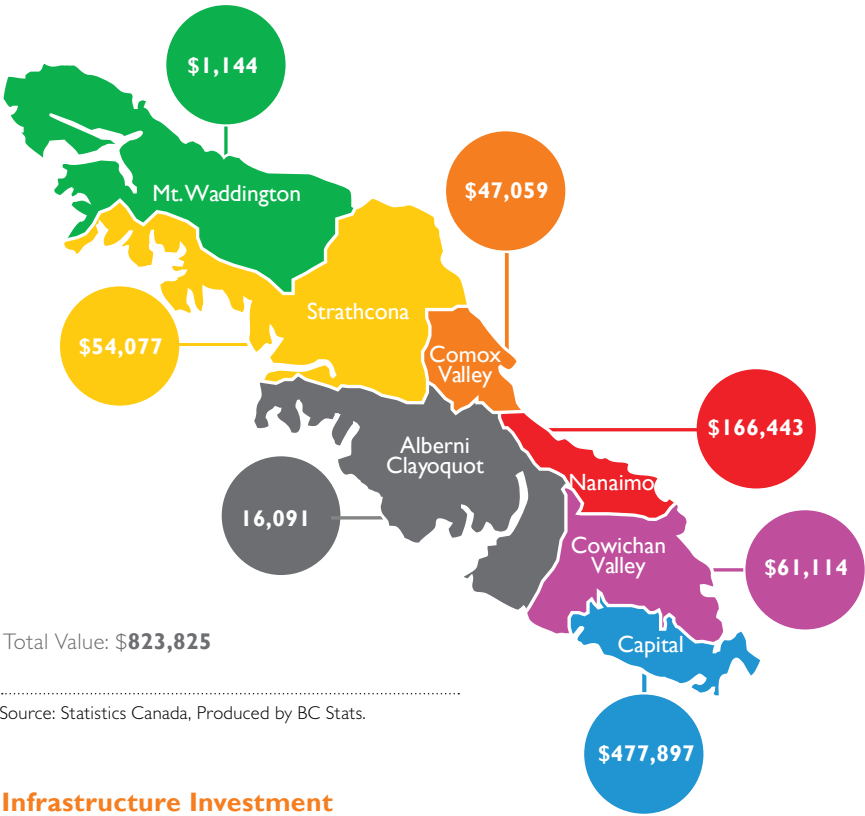


The value of building permits on Vancouver Island has continued to increase year over year, a trend that began in 2013. This is driven by increases in residential permits which remain above the five year average in most regions. In the first six months of 2016 there is some indication that growth rates may be moderating and much of the construction activity is expected to occur in the southern region of Vancouver Island where population growth is greatest.

Housing starts on Vancouver Island were up approximately 19 percent in the first six months of 2016; however, growth rates varied significantly by region. In Victoria, Port Alberni and Campbell River housing starts grew by between 45 percent and 60 percent year over year while in most other regions housing starts were down. All regions remained above their three-year average. In the Strathcona region, development in Campbell River has been a significant factor in growth in the overall value of building permits. Outside of Campbell River the value of building permits has been relatively stable.

³ Canada Mortgage and Housing Corporation, "CMHC Starts and Completions Survey."

Building Permits BY REGIONAL DISTRICT—JANUARY TO JUNE 2016 (in 000s)



Total Value: \$823,825

Source: Statistics Canada, Produced by BC Stats.

Infrastructure Investment

Major Infrastructure Projects Under Construction



Source: British Columbia Major Projects Inventory, March 31, 2016.

Infrastructure investments on Vancouver Island are being made in power generation, affordable housing, transportation facilities, and hospitals and long term care facilities. The major projects under construction include:

Replacement of the John Hart Generating Station in Campbell River

The existing facility has been in operation since 1947, its electrical output is below capacity and it requires seismic upgrading. The new facility will have a higher capacity and will be able to provide power to approximately 80,000 more homes.⁴

Eden Gardens Seniors Housing

This is a new 130 bed residential care home for individuals in need of 24 hour care due to dementia. It will replace an existing facility in the Nanaimo area and will add 40 licensed beds to the supply in the mid-Island region.⁵

⁴ BC Hydro, "B.C. Utilities Commission approves John Hart generating station replacement" accessed at https://www.bchydro.com/news/press_centre/news_releases/2013/john-hart-replacement.html.

⁵ Island Health, "Construction starts on Eden Gardens" http://www.viha.ca/about_viha/news/news_releases/nr_edden_gardens_groundbreaking_17Sept2014.htm.

Affordable Housing

Six affordable housing projects are under construction in the Capital region. Together these projects will provide 321 units of affordable housing.

Belleville Terminal Revitalization

Replacement and repairs to wharves providing ferry passenger services between Victoria and Washington State.

North Island Hospitals Project

Replacement and expansion of hospitals in Comox and Campbell River to provide improved access to acute care services in the North Island region.

Power

Additional power generation capacity was added in 2015 and 2016 in Victoria, on the west coast of Vancouver Island, in the mid-Island and on the North Island.

Trades Training

In addition, Camosun College recently completed construction of a new trades education facility which expands its capacity to provide trades training by 370 full-time-equivalent seats.



BUSINESS ENVIRONMENT AND INVESTMENT ATTRACTION























Over the past year, the number of businesses with employees on Vancouver Island has been relatively stable; however, there have been pockets of growth in some areas. In particular, the number of businesses in Professional, Scientific and Technical Services and Construction has grown in the Nanaimo area while in the Capital region there has been growth in Real Estate and Rental & Leasing and in Trade. There has also been growth in Agriculture and Forestry in the southern regions.

The scale of businesses remains small and the number of businesses with no employees continues to grow. This suggests that there is an increasing number of people on Vancouver Island who are self-employed.

The rate of business formation appears to be stabilizing and bankruptcies continue to trend down. This suggests that the outlook for Vancouver Island remains positive and that economic activity will remain at or near its current levels in the near term.

Business Environment & Investment Attraction

Number of Businesses with Employees

Category	With Employees	Trend
Goods Producing Sector		
Agriculture, Forestry, Fishing, Hunting 	1,204	↓
Construction 	3,564	↑
Manufacturing 	954	→
Mining & Oil & Gas Extraction 	71	→
Utilities 	35	→
Service-Producing Sector		
Accommodation & Food Services 	2,110	↑
Admin. & Support, Waste Management & Remediation 	1,260	↑
Arts, Entertainment & Recreation 	517	→
Educational Services 	396	→
Finance and Insurance 	1,011	→
Health Care and Social Assistance 	3,269	→
Information and Cultural Industries 	296	→
Management of Companies and Enterprises 	275	↓
Other Services (excl. Public Admin.)	2,343	↓
Professional, Scientific and Technical Services 	3,303	↑
Public Administration 	371	→
Real Estate and Rental & Leasing 	1,292	↓
Retail Trade 	3,789	→
Transportation & Warehousing 	918	→
Wholesale Trade 	893	↓
<div> Growing  Stable  Declining  </div>		

Source: Statistics Canada Business Register, December 2015.

Insolvency

Business Bankruptcies

2012 - 2014
AVERAGE ANNUAL

British Columbia

194

Vancouver Island and Coast

34

2015

British Columbia

154

Vancouver Island and Coast

28

Consumer Bankruptcies

2012 - 2014
AVERAGE ANNUAL

British Columbia

7,012

Vancouver Island and Coast

1,579

2015

British Columbia

5,683

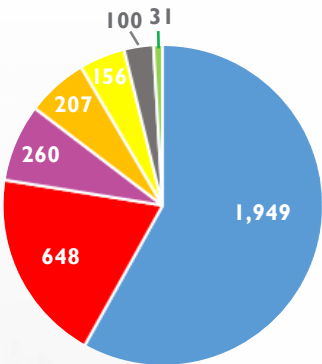
Vancouver Island and Coast

1,442

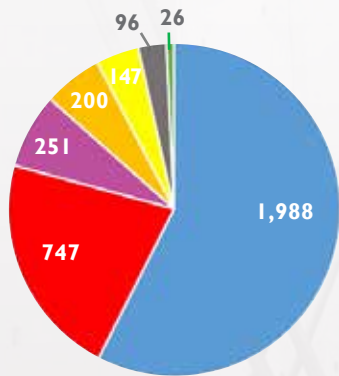
Source: Office of the Superintendent of Bankruptcy Canada, an agency of Industry Canada.

**Business Formations—Incorporations
BY REGIONAL DISTRICT**

2012-2014 ANNUAL AVERAGE



2015



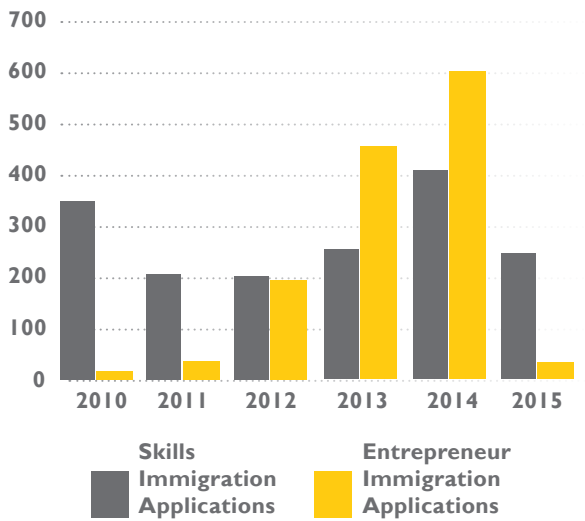
- Capital
- Nanaimo
- Cowichan Valley
- Comox Valley
- Strathcona
- Alberni-Clayoquot
- Mount Waddington

Source: BC Stats, Business Formations and Failures.

Skilled and Entrepreneurial Immigration

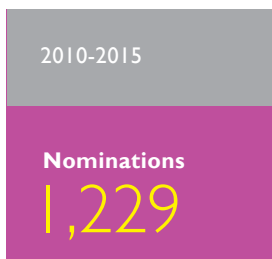
Applications to the Provincial Nominee Program

Approximately 200 skilled immigrants receive nominations for residency on Vancouver Island annually based on their ability to fill gaps in the local labour force.

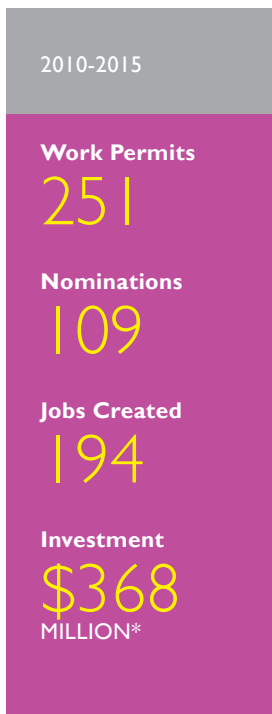


Data provided by the Ministry of Jobs, Tourism and Skills Training

Skills Immigration



Entrepreneur Immigration



Source: PNP data provided by BC Ministry of Jobs, Tourism and Skills Training.

*includes Strategic Projects investment of \$235 million.

The British Columbia Provincial Nominee Program (BC PNP) facilitates the immigration of skilled foreign workers, international students, and entrepreneurs. Prospective applicants are nominated for permanent residency through either the Skills Immigration stream or through the Entrepreneur Immigration stream.

Nominees under the Skills Immigration stream are selected based on the skills, education and/or experience required for high-demand occupations in the province. The number of applicants under this program on Vancouver Island has been increasing, albeit gradually. Between 2010 and 2015, there were 1,683 applicants for skills immigration on Vancouver Island, of which 73% received nominations for permanent residency.

Nominees under the Entrepreneur Immigration stream are required to meet a determined financial investment amount, and demonstrate the ability to create job opportunities. Between 2010 and 2015 applications to the program have increased; however, the proportion of applicants that receive nominations is relatively low. Of the 1,344 applicants for the Entrepreneur Immigration stream on Vancouver Island during the period, about 19% received work permits and, 8% received a nomination.



POPULATION AND LABOUR FORCE

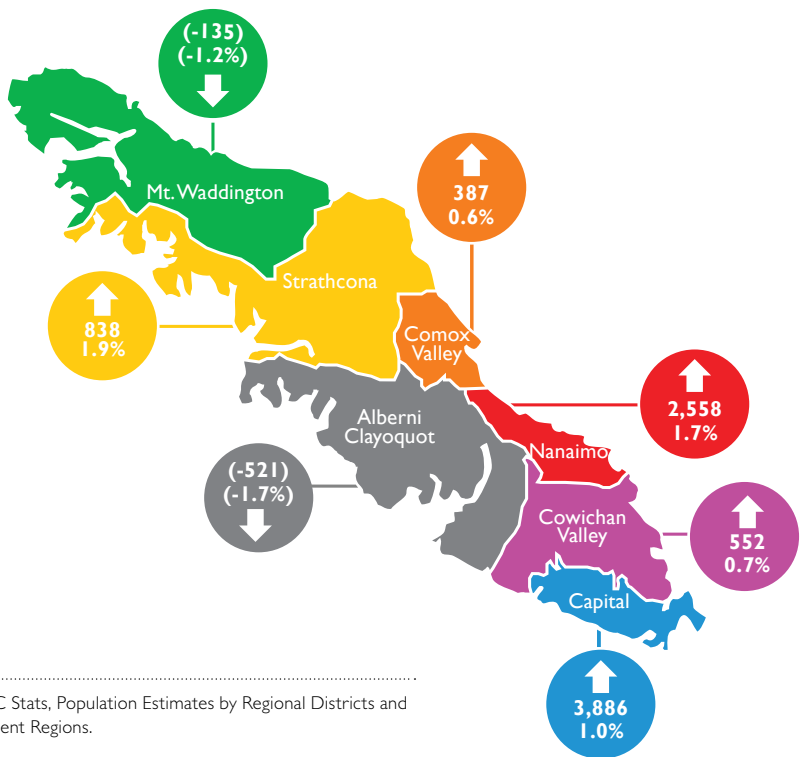
Population growth continues to be an important factor in the growth of Vancouver Island's economy. Between 2014 and 2015, the population grew by approximately one percent, a rate comparable to the province as a whole and almost twice the average annual growth rate in the preceding four years.⁶ The growth continues to be driven by migration from other regions of Canada and to a lesser extent from other regions of BC.

Preliminary indicators suggest population growth in 2016 will be similar to that in 2015. While most regions have experienced population growth over the past year there is some indication that growth in 2016 will be primarily concentrated in the Nanaimo and Capital regions. There is also some indication that recent declines in the Alberni-Clayoquot region may be starting to level off.

While the population aged 65 and older continues to grow, initial indications are that the working age population has stabilized and may in fact be growing modestly. Evidence that the working age population may be growing is found in increases in the size of the labour force and a stable participation rate.

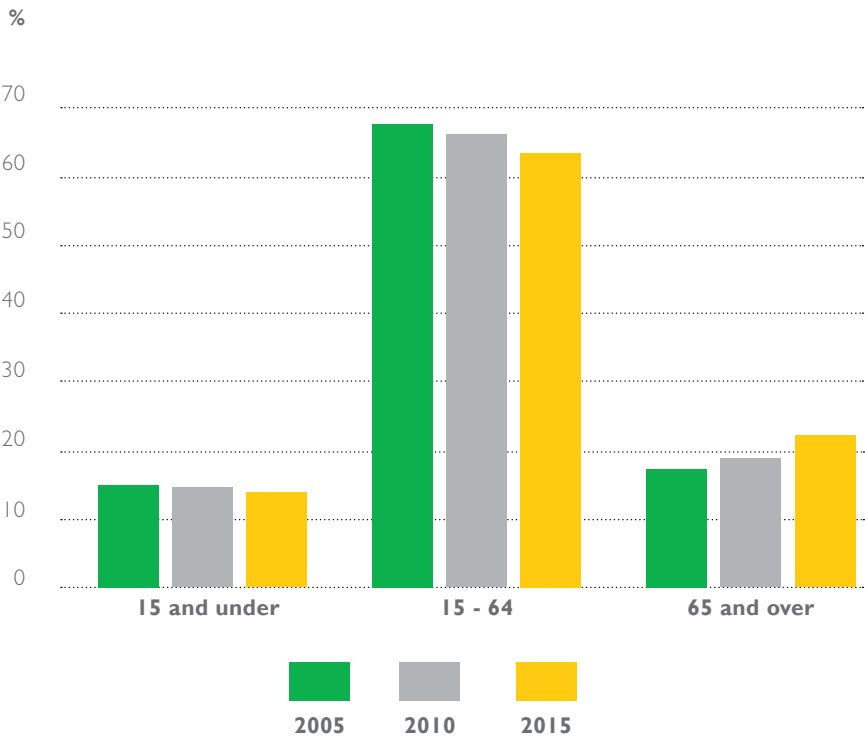
⁶ BC Stats, Population Estimates 2014-2015.

Population Growth BY REGION 2014 TO 2015



Source: BC Stats, Population Estimates by Regional Districts and Development Regions.

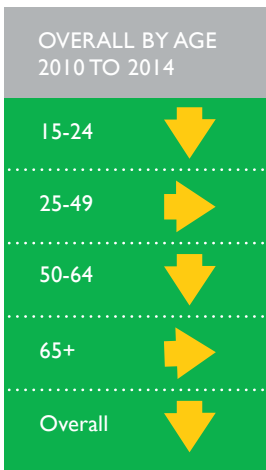
Population Distribution VANCOUVER ISLAND AND COAST BY AGE GROUP



Source: BC Stats, Population by Age and Sex.

Between July 2015 and July 2016, the labour force on Vancouver Island grew by approximately one percent⁷ while the participation rate was relatively unchanged. This suggests that at least some of the population growth is due to working age people moving to the area in search of employment and is consistent with the improvements in economic conditions in the region over the past 12 to 18 months and deterioration in economic conditions in other parts of Western Canada.

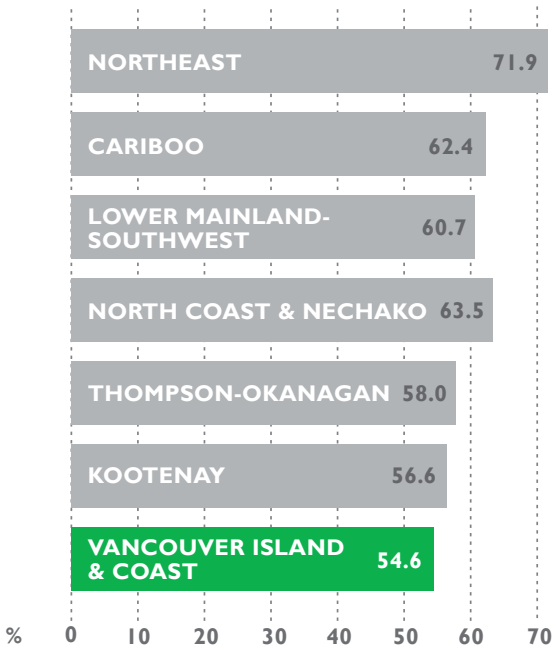
Labour Force Participation Rate Trends



Source: Statistics Canada's Labour Force Survey (2010-13). Please note that data for 2015 were not available.

Employment Rate BY REGION 2015

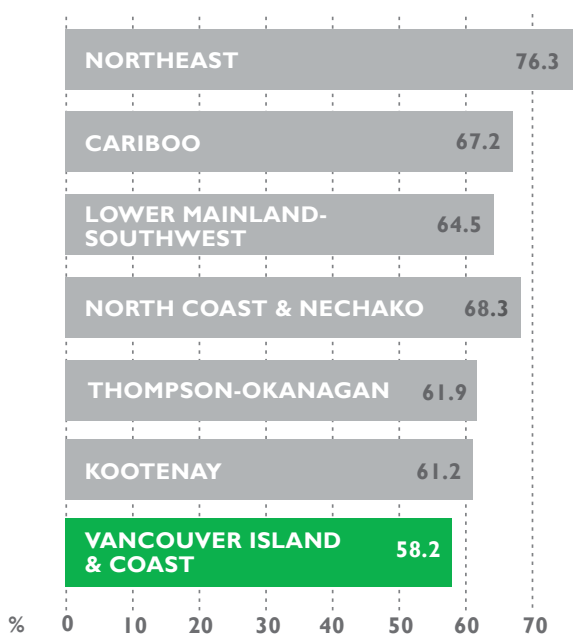
BRITISH COLUMBIA 59.5%



Source: Statistics Canada, Labour Force Survey Estimates (CANSIM Table 282-0123).

Labour Force Participation Rate BY REGION 2015

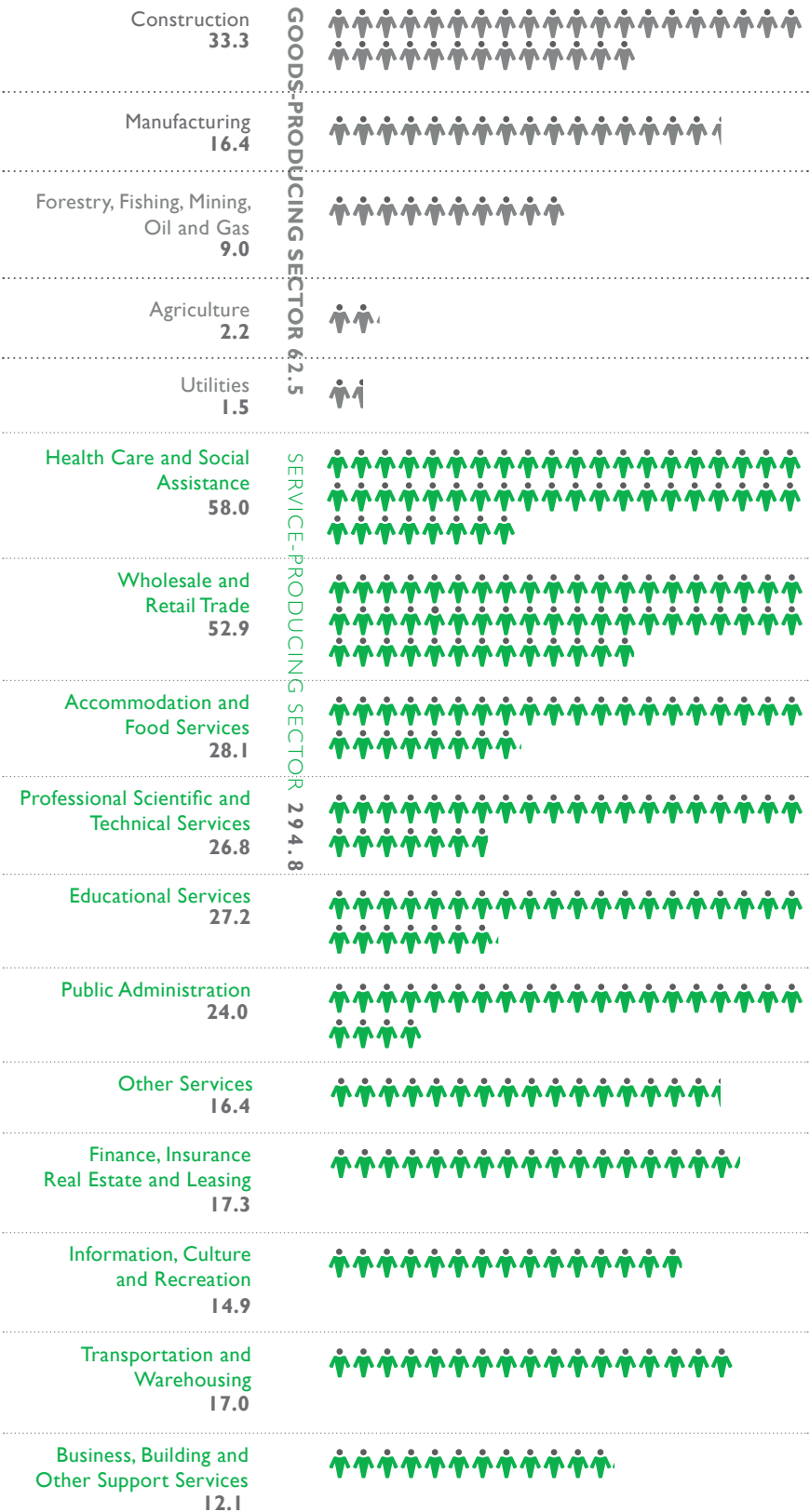
BRITISH COLUMBIA 63.4%



Source: Statistics Canada, Labour Force Survey Estimates (CANSIM Table 282-0123).

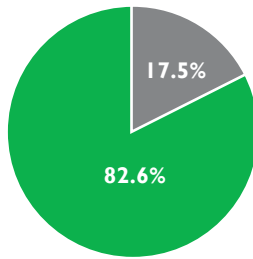
⁷ Statistics Canada, Labour Force Estimates (CANSIM Table 282-0123).

Employment By Industry 2015 (IN 000s)

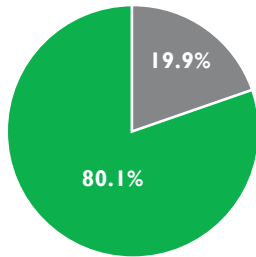


Source: Statistics Canada, Labour Force Survey, Custom Tabulation, Prepared by BC Stats April 2016.


Share of Employment BY SECTOR ON VI 2015



Share of Employment BY SECTOR IN BC 2015



Source: Statistics Canada, Labour Force Survey, Custom Tabulation, Prepared by BC Stats April 2016.

 verall employment on Vancouver Island is continuing to increase with most growth occurring in industries linked to Tourism, Forestry, infrastructure development and the housing market.

Employment in the goods producing sector has remained relatively stable while the share of employment attributable to the goods producing sector has fallen slightly. Within the goods sector there have been changes in the composition of employment. Mining, Oil and Gas employment has continued to decline while employment related to Forestry and Construction has increased which is consistent with current market conditions.

Within the service sector, employment gains have been more pronounced and are primarily in transportation related to Tourism, Real Estate and related employment, and Health Care.

INDUSTRY ANALYSIS

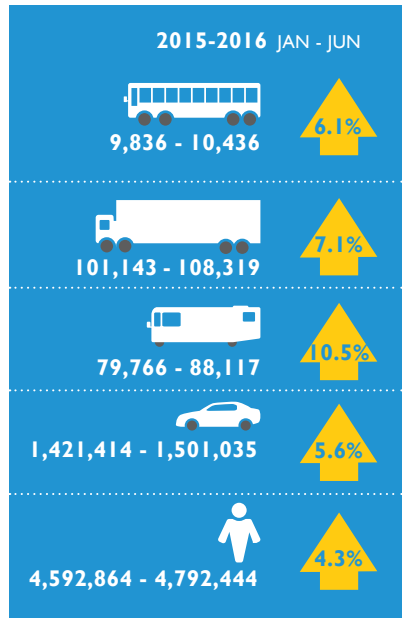
Vancouver Island's economy is relatively diverse. Key industries include Tourism, Agriculture and Aquaculture, Forestry, Manufacturing, High Tech, and International Education. The contribution of each of these sectors varies by region.

Tourism, Forestry and Manufacturing industries are found in all regions, while the High Tech industry is concentrated in the Capital region and to a lesser extent in Nanaimo. Agriculture production is primarily found from the Comox Valley south while most Aquaculture production occurs on the west coast and in the northern regions.

photo: Liz St. Jean Photography

Tourism

Ferry Traffic YEAR OVER YEAR CHANGE



Source: BC Ferries.

Visitor Indicators YEAR OVER YEAR CHANGE



Source: Destination BC, Provincial Tourism Indicators.

Following a strong performance in 2015, Tourism indicators suggest that 2016 will be up moderately year over year.

In the first six months of 2016 passenger volumes on BC Ferries were up approximately 4 percent and vehicle traffic was up approximately 6 percent compared with the same period in 2015. Similarly, passenger traffic at regional airports increased by approximately 6.8 percent.

In the first quarter of 2016 occupancy rates were down slightly but have since increased and in the second quarter were up approximately 6 percent year over year. Tourism's continued strong performance is likely related to the favourable exchange rate and the continued strength in the US economy. These factors are expected to be encouraging Canadians to stay in Canada and Americans and international visitors to travel to Canada.

Aquaculture & Agriculture

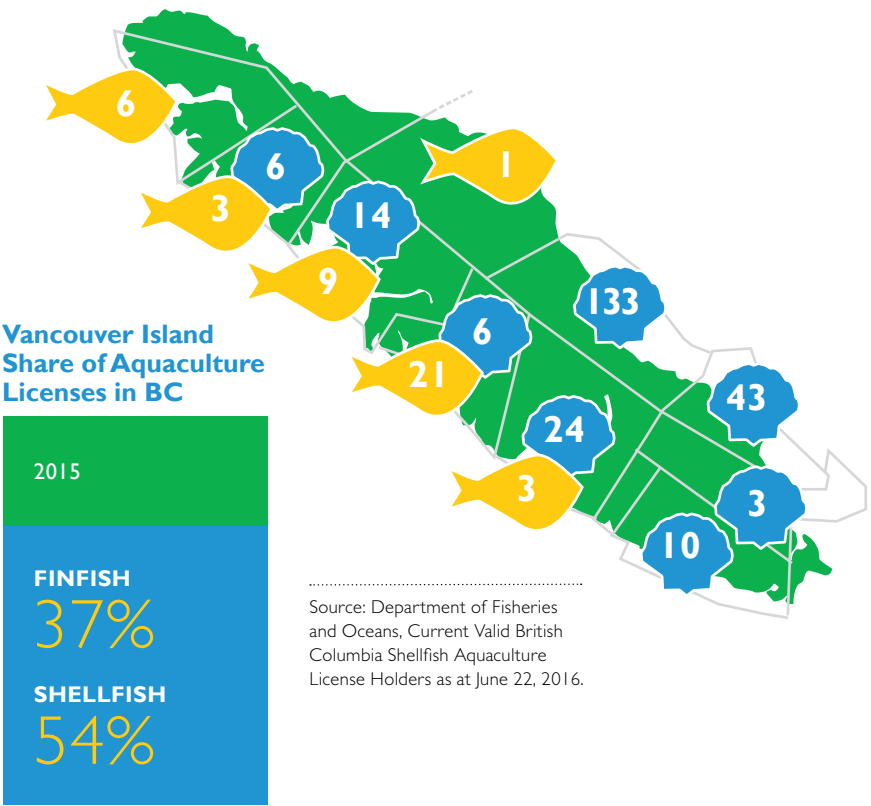
Distribution of Agrifoods Businesses* ACROSS VANCOUVER ISLAND | RELATIVE TO OTHER KEY INDUSTRIES WITHIN REGIONAL ECONOMIES



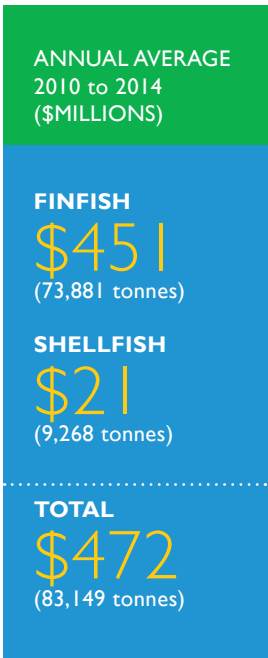
Source: Statistics Canada, Business Register.
* Distribution of businesses is new for 2016 and was not reported in the 2015 State the Island Economic Report.

Aquaculture & Agriculture

Shellfish and Finfish Licenses



BC Aquaculture Production



Aquaculture production in BC fell by approximately 20 percent in 2014, the latest period for which data is available. This was driven by declines in salmon production which fell by 26 percent year over year. Shellfish production remained relatively stable.

Export data suggests that salmon production increased in 2015 and will also be higher in 2016.⁸ Consequently, overall employment in the sector on Vancouver Island is expected to remain stable.

Source: Department of Fisheries and Oceans, Aquaculture Production Quantities and Values.

⁸ Statistics Canada, CATSNET Analytics, "Canadian Exports of Aquaculture Products by Province" July 20, 2016.

Forestry

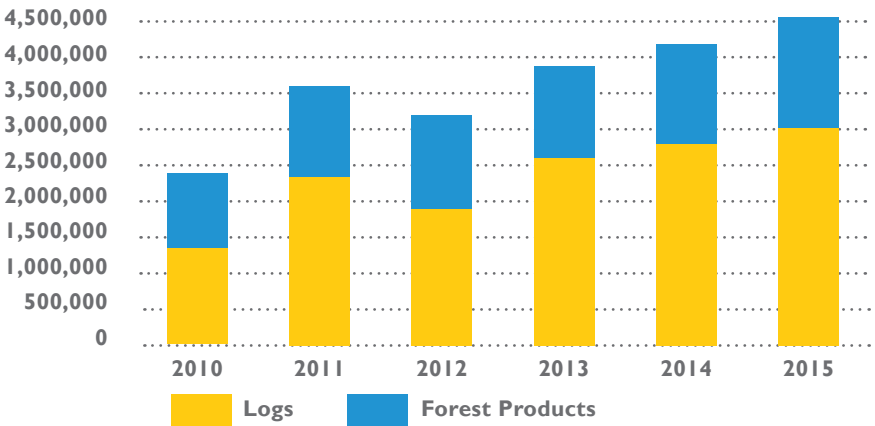
Distribution of Businesses * ACROSS VANCOUVER ISLAND | RELATIVE TO OTHER KEY INDUSTRIES WITHIN REGIONAL ECONOMIES



Source: Statistics Canada, Business Register.
* Distribution of businesses is new for 2016 and was not reported in the 2015 State the Island Economic Report.

Forestry

Forest Product and Log Cargo Volumes THROUGH PORT ALBERNI AND PORT OF NANAIMO IN METRIC TONNES

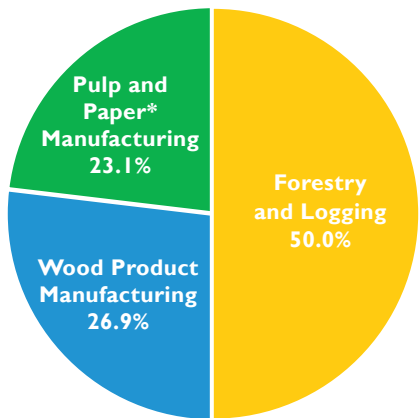


Source: Nanaimo Port Authority Cargo Statistics, Port Alberni Port Authority

Total Employment¹⁰



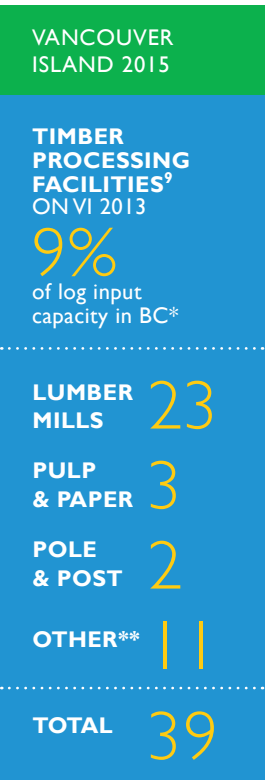
Distribution of Forest Sector Employment VANCOUVER ISLAND 2015



Source: BC Stats

*values are for Paper Manufacturing Industry which includes Pulp

Facilities



Forestry on Vancouver Island continued on a slow and steady growth path in 2015. This was reflected in increased shipments of both Forest Products and Logs through Vancouver Island ports which were up approximately 12 percent and 8 percent respectively year over year.

Overall employment in the sector remained at approximately 11,000; however, there was an increase in employment related to Forestry and Logging activities and a significant decline in Pulp and Paper related employment. These changes in employment are consistent with the

*No data for 2014.

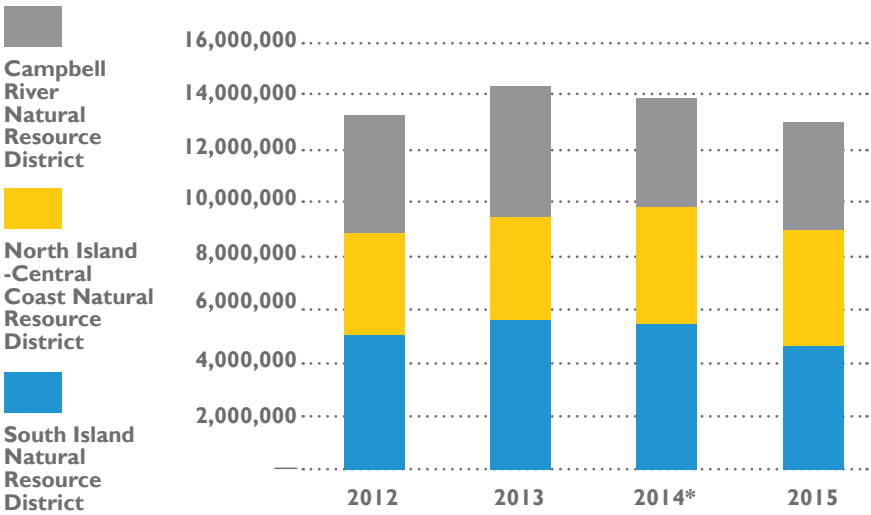
**Includes Chip Mills, Veneer Mills and Shake and Shingle Mills.

⁹ Ministry of Forests, Lands and Natural Resource Operations, Major Timber Processing Facilities in British Columbia, 2014.

¹⁰ Statistics Canada, Labour Force Survey, Custom Tabulation, Prepared by BC Stats April 2016.

Forestry

Harvest Volumes on Crown Land by Natural Resource District (m³)



Source: Ministry of Forests, Lands and Natural Resources Harvest Billing System.

* 2014 numbers have been revised from the 2015 State of the Island Economic Report.

longer term trends in the industry. It should be noted that the drop in employment in Pulp and Paper is likely at least partly related to the Port Alice pulp mill shutdown being extended indefinitely due to weak market conditions for dissolving pulp.¹¹

There is some indication that growth in Forestry production may be moderate in the near future. Demand from Asia is continuing to decline while demand from the US is increasing. This resulted in a net increase in BC Forest Products exports in the first six months of 2016. However, shipments to the US are likely being influenced by the expiry of the Softwood Lumber Agreement in October 2015 and the resulting 12 month grace period which is providing increased access to the US market. If a new agreement is not reached by October 2016, Canadian exports of softwood lumber to the US may be subject to tariffs. Should this happen, shipments to the US market are expected to moderate somewhat as Canadian lumber loses its price advantage.

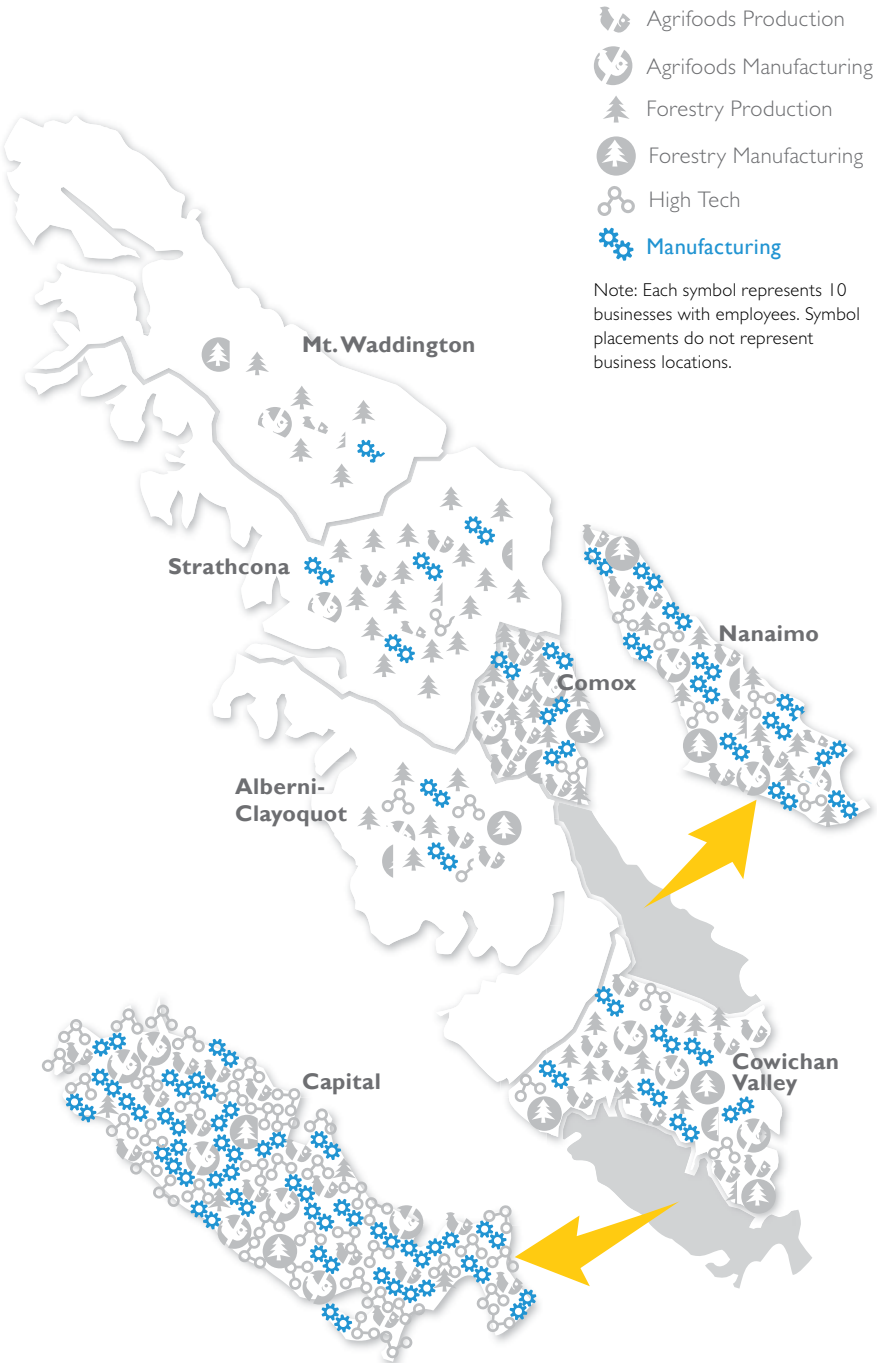
¹¹ "Neucel has no firm date for restart" http://www.ccfgroup.com/news-center/newsview.php?Class_ID=600000&Info_ID=20160106037.

Manufacturing

Distribution of Businesses*

Not related to Food and Beverage, Forest Products or High Tech

ACROSS VANCOUVER ISLAND | RELATIVE TO OTHER KEY INDUSTRIES WITHIN REGIONAL ECONOMIES



Source: Statistics Canada, Business Register.

* Distribution of businesses is new for 2016 and was not reported in the 2015 State the Island Economic Report.

GUEST CONTRIBUTOR

John Juricic PRINCIPAL, HARBOUR DIGITAL MEDIA
HDM is the lead contractor for this Vancouver Island Labour Market Partnership.

MANUFACTURERS ON VI/COAST BUSINESSES WITH 10+ EMPLOYEES

FOOD...	3
BEVERAGE AND TOBACCO PRODUCT...	16
CLOTHING...	5
WOOD PRODUCT...	19
PRINTING AND RELATED SUPPORT ACTIVITIES...	1
CHEMICAL...	1
PLASTICS AND RUBBER PRODUCTS...	4
PRIMARY METAL PRODUCT...	2
FABRICATED METAL PRODUCT...	30
MACHINERY...	11
COMPUTER AND ELECTRONIC PRODUCT...	9
ELECTRICAL EQUIPMENT, APPLIANCE AND COMPONENT...	6
TRANSPORTATION EQUIPMENT...	17
FURNITURE AND RELATED PRODUCT...	6
MISC...	30
TOTAL	169

Manufacturing is concentrated in the southern region of Vancouver Island—Malahat South (95 businesses) and in the mid-Island between Mill Bay and Union Bay (54 businesses).

Manufacturing— Perspective

Understanding Skills Trade Issues for the
Manufacturing Sector on Vancouver Island

In 2015, with the support of the Ministry of Jobs, Tourism, and Skills Training, a Labour Market Partnership (LMP) was established to analyze Skill Trades issues for the Manufacturing sector on Vancouver Island / Coastal. A key component of the engagement process was forming the Vancouver Island Manufacturing Sector Advisory Board (VIMAB), made up of manufacturers from a number of sub-industries including food, metal, fabricated metal, machinery, electrical, plastics, and transportation manufacturing. The first step of the LMP in analyzing the needs of the manufacturing industry was to identify and locate manufacturers in the VI/Coastal region through a systematic research project.

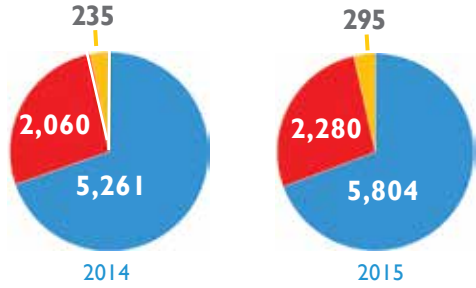
The research first developed a database of manufacturing companies operating in the region and the type of manufacturing conducted (as defined by the North American Industry Classification System or NAICS). All municipal authorities, Chambers of Commerce and Economic Development Agencies in the region were contacted to acquire lists of licensed businesses. These lists were then reviewed and potential manufacturers that could be contacted were included in a final list (169 companies with 10+ employees).

The Ministry plans to release findings from this research project in the latter part of Fall 2016. The Labour Market Partnership will continue to work with members of VIMAB as well as a broader network of regional business representatives on developing strategies to address key issues and gaps in the labour market as identified through the 2015 research project.

Education

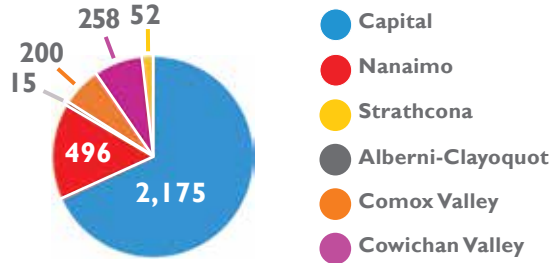
Post-Secondary International Enrolments BY REGIONAL DISTRICT

Source: BC Ministry of Advanced Education, October 2015 Data Submission and BC HEADset.



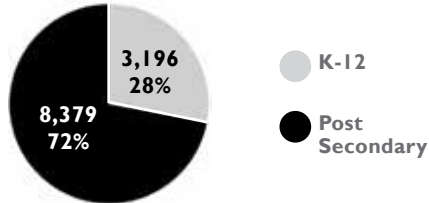
K-12 International Enrolments* BY REGIONAL DISTRICT 2015/16

Source: BC Ministry of Education
* Includes private schools that follow BC Ministry of Education Curriculum.

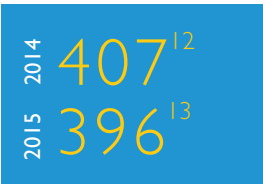


International Enrolments on VI BY TYPE 2015

Source: BC Ministry of Advanced Education, October 2015 Data Submission, BC HEADset and BC Ministry of Education



Businesses in Educational Services



Employment in Educational Services



Source: Statistics Canada, Labour Force Survey, Custom Tabulation

International student enrolment continues to be an important factor in the growth in Vancouver Island's Education sector. In 2015, international student enrolment in K-12 increased by approximately 9 percent, while enrolment in publicly funded post-secondary institutions increased by 11 percent. These growth rates were lower than in 2014; however, the share of international students in BC that are enrolled in institutions on Vancouver Island has remained relatively stable. This suggests that the decline in growth rates on Vancouver Island is related to a slowing of overall growth of international students in BC, not a loss of market share.

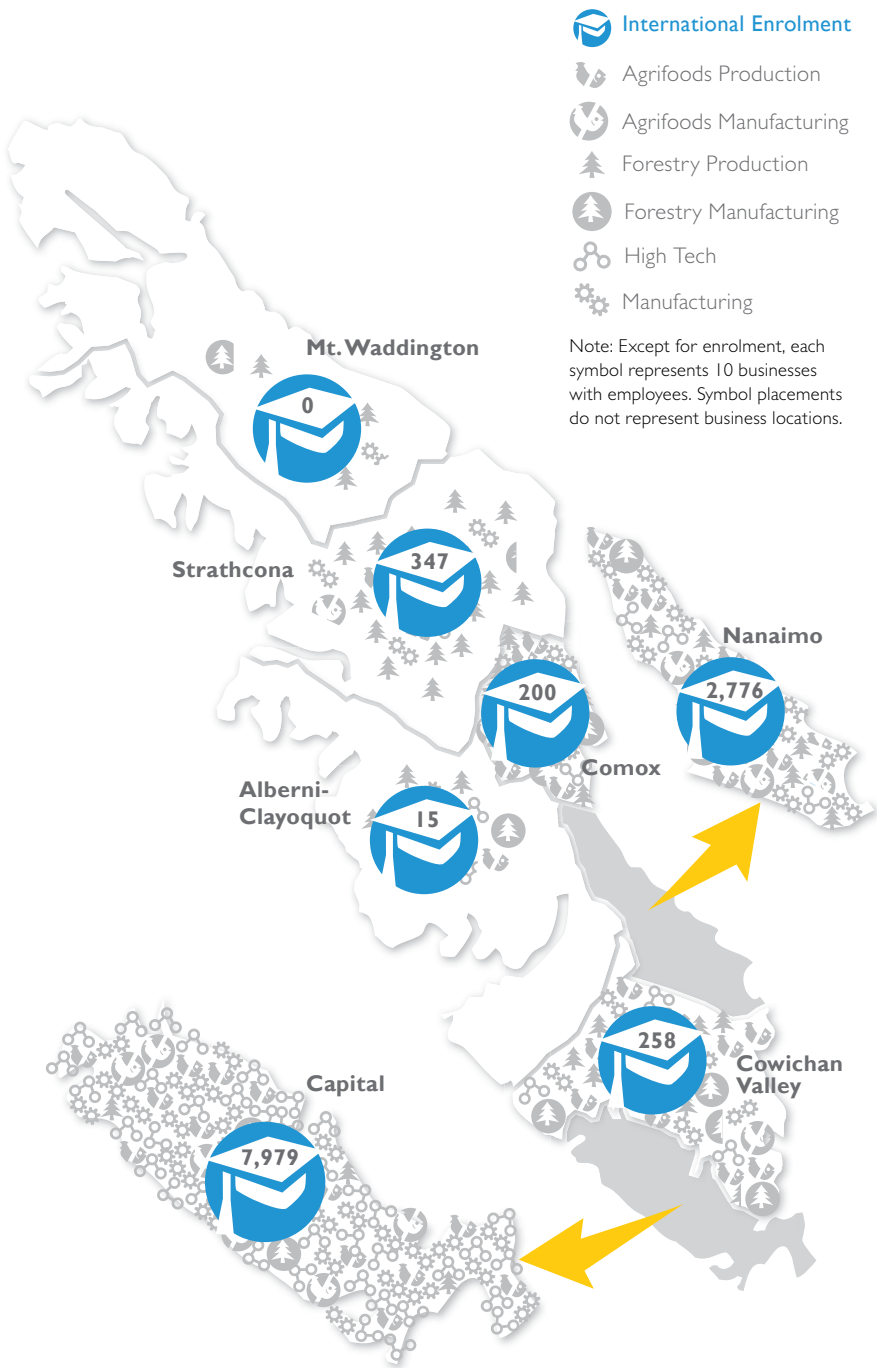
Growth in international enrolments is expected to continue albeit at a slower rate. Consequently, employment in the sector is expected to remain stable.

¹² Statistics Canada, Business Register December 2014.

¹³ Statistics Canada, Business Register December 2015.

Education

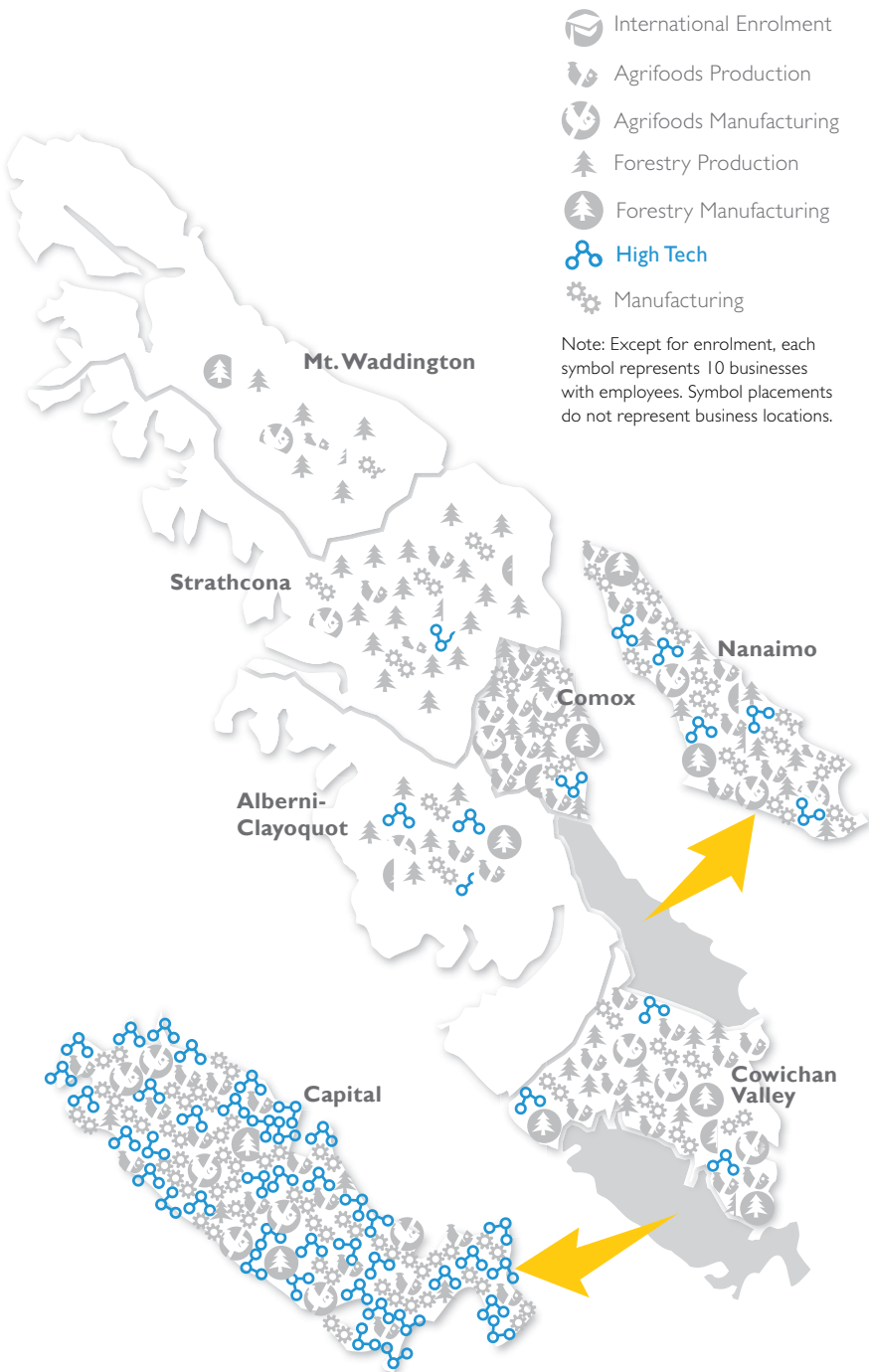
International Student Enrolment 2015* ACROSS VANCOUVER ISLAND | RELATIVE TO OTHER KEY INDUSTRIES WITHIN REGIONAL ECONOMIES



Source: BC Ministry of Advanced Education, October 2015 Data Submission BC HEADset and BC Ministry of Education Student Statistics.
* Enrolment map is new for 2016 and was not included in the 2015 State the Island Economic Report.

High Technology

ACROSS VANCOUVER ISLAND | RELATIVE TO OTHER KEY INDUSTRIES WITHIN REGIONAL ECONOMIES



Source: Statistics Canada, Business Register.
* Distribution of businesses is new for 2016 and was not reported in the 2015 State the Island Economic Report.
* Includes Manufacturing.

GUEST CONTRIBUTORS

Graham Truax

EXECUTIVE IN RESIDENCE INNOVATION ISLAND

Tom Keenoy

DESIGN DIRECTOR/FOUNDER MEDIUM RARE INTERACTIVE INC.

In the absence of a reliable source for regularly collected data on the Island's tech industry at large, survey and questionnaire responses from industry representatives north of the Malahat are illustrative as to what's also happening in the start-up scene.

Tech—Perspective

Over the past couple of decades, the Victoria-based tech sector has grown at an impressive pace with respect to local economic impact. In 2014 the Nanaimo Economic Development Corporation commissioned a report showing Nanaimo and Region as home to several hundred businesses driving the region's technology industry.

Since technology is becoming increasingly integrated in many businesses, measuring the performance of the sector from start-ups to mature companies, from techno-industrial robotics to game design, is a work in progress. And the lines demarking industry sectors are blurred. At what point does a tech company become a manufacturer? Is a web developer a technology company or a graphic art company using technology?

In the absence of a reliable source for regularly collected data, on the Island's tech industry at large, the following survey and questionnaire responses from industry representatives north of the Malahat are illustrative as to what's also happening in the start-up scene. This, admittedly, is only a snapshot of a segment of the tech sector on Vancouver Island, but perhaps it gives us a peek into what is going on.

In 2016, Graham Truax surveyed 50 Tech Founders and CEOs on Vancouver Island to gain an understanding of business needs and motivations. The profiles of these Tech leaders show that:

- 30% are PhDs or considered industry experts by their peers;
- 75% of the companies are developing intellectual property;
- 60% of their products and services are in rapidly growing markets;
- Most are 30-40 *something* in age. Some are 50 to 60 *something*. Only a few are 20 *something*.

Here is a snapshot of what Tech leaders had to say.

Asked 'What brought you to Vancouver Island?' 75% responded that 'life style' was a driving factor and that within 'lifestyle', 'family', 'recreation', 'health & wellness', and 'cost of living' were determinants.

Asked 'What keeps you here?' the same 'life style' reasons were repeated. Plus, 'work' in that respondents now have 'going concern' business interests on the Island.

Asked 'What would force you to move?' they responded that 'lack of opportunity' and 'lack of work' would be primary causes.

Asked 'What are the primary advantages of your location?' 100% identified 'life style' and nearly 50% also identified 'cost of doing business'.

Asked 'What are the primary disadvantages of your location?' 'Access to customers', 'access to capital', and 'access to skilled human resources' were the primary limiting factors.

Asked 'What would take your business to the next level?' and 'How can your community or region help?' responses were consistent with the primary disadvantages identified — 'capital', 'human resources', 'access to markets'. Added were 'industry networking' and 'partnerships'.

To further illustrate this picture, Tom Keenoy, Design Director/Founder, Medium Rare Interactive Inc. provided answers to a few similar questions posed by VIEA.

Why have you located on Vancouver Island?

'Lifestyle and proximity to bigger city life when needed. My family gets the benefits of living in a place with oceans, lakes, mountains and trails, farms and wildlife, all while being a short plane or ferry ride from Vancouver, and a little drive from Victoria. Obviously we have a different perspective living on the Island but not in Victoria.'

Why do you remain on Vancouver Island?

'We've found a great community of like-minded people. There are many other people like us

who have left the big city rat race and brought their talents and skills with them.'

What barriers do you/have you experienced that have made it difficult for your business to thrive on Vancouver Island?

'Talent pool is in short supply in a few key areas. We see a lot of junior/entry level people, and a fair number of senior people who are at a very high pay grade, but relatively few people in the middle range. Those people seem to be finding their work in Victoria or Vancouver mostly, and not leaving the city until they're quite high up the pay scale.

The ecosystem is not yet established for funding of technology start-ups. Unlike Kelowna (for example), where a 'home run' was hit that has had a 'knock on effect' in the rest of the ecosystem, the Island outside of Victoria doesn't have an anchor to bring focus to our smaller companies. We're still very early in the process of establishing that ecosystem.'

What assistance have you received that has made it possible for you to thrive on Vancouver Island?

'Innovation Island Technology Association has provided mentorship and connected us with government resources for hiring students via BCIC grants and research grants through NSERC. Key members of the local community have made it a point to try to connect to and promote the things we're doing.'

What do you see trending in the tech sector that gives you confidence or concern regarding the viability, growth and stability of the tech sector on Vancouver Island?

'The insane housing market in Vancouver is pushing skilled and connected people out of that market. A lot of people we meet are fleeing that market and either returning home or moving here having discovered Vancouver Island while in Vancouver. This is good, as we're getting skilled people into the ecosystem. Generally, technology is becoming more decentralized. While Silicon Valley is still producing the most and biggest techno wizardry, smaller pockets popping up around the world, will help de-stigmatize locations that are not Silicon Valley or New York.

At the highest end of the tech curve, automation is taking over nearly everything. I fear that a lot of the ideas we have here will be short-lived, or focused on dead or dying industries. In order to forge a place for ourselves, we'll need much bigger thinking in fairly short order.'

Are you and your colleagues succeeding because of your location or in spite of your location?

'I would definitely say in spite of location. There are many ways that things would be much easier for us if we were somewhere else. I've been lucky to find the people I need to make this business work to the degree that it does, but it's been a much bigger climb than if we had started in a larger centre.'

If you could improve one thing in relation to your business access e.g. access to capital, access to markets, access to labour, access to fibre optics, etc. what would that be?

'Access to capital, 100%.'

Do you have a competitive advantage or disadvantage because of your location? What is that and how might it be improved?

'I believe we have both advantages and disadvantages. A living wage here is MUCH lower than other places, and I'm able to get work from other markets to leverage that advantage. I can pay developers and designers comparatively well for Vancouver Island and still be profitable.

On the other hand, it's a challenge sometimes to convince people that we're not a small time studio. We're in this weird space where locals know we do work in big markets and think they can't afford us (which is sometimes accurate), while potential clients in bigger markets wonder if we can execute because we're not a big city firm.'

In 2010, Tom Keenoy moved from Brooklyn, NY with his family to Black Creek and has since settled in Courtenay. He has owned and operated Medium Rare Interactive since 2005, working primarily with clients in New York, Philadelphia and Vancouver.



COST OF LIVING AND AFFORDABILITY

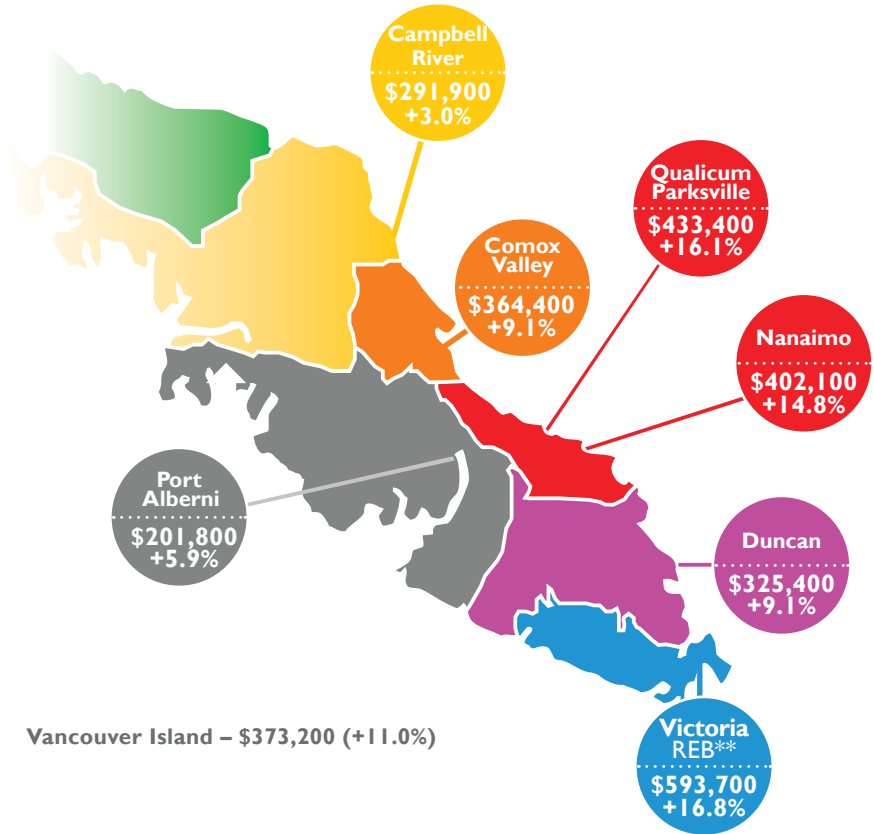
Housing prices on Vancouver Island have risen significantly over the past 12 months and are above their five year high in all areas. Rising prices are consistent with the observed trends in population growth; however, the level of increases suggests that in some areas the price increases are being driven by spillover from the Lower Mainland housing market.

The positive outlook for the region and continued migration suggests that housing demand will remain strong; however, it is unlikely that double digit growth rates in prices will continue into 2017.

photo: Madeleine Deaton

Cost of Living

Housing—Benchmark* Single Family Home Prices IN JUNE 2016 (GROWTH COMPARED TO 1 YEAR AGO)



Source: Vancouver Island Real Estate Board Monthly Statistical Package June 2016, Victoria Real Estate Board Statistics Package for Media June 2016.

* The benchmark for single family home is a composite of one-storey homes (where the bedrooms, kitchen and dining rooms are on the same floor and the utility room and laundry room are generally located below ground) and two-storey single family homes (characterized by distribution of bedrooms on the upper floor(s) and a kitchen, living room and other day-to-day rooms on the main floor). This benchmark does not differentiate between attached and detached home. (source: MLS Home Price Index Methodology – Benchmark Descriptions).

**Victoria REB includes: Victoria, Victoria West, Oak Bay, Esquimalt, View Royal, Saanich East, Saanich West, Sooke, Langford, Metchosin, Colwood, Highlands, North Saanich, Sidney, Central Saanich, Malahat and Area, Gulf Islands.

GUEST CONTRIBUTORS

Darrell Paysen VANCOUVER ISLAND REAL ESTATE BOARD

David Corey VICTORIA REAL ESTATE BOARD

Island Real Estate — Perspective

Malahat to North Island

There is no doubt that 2016 is a banner year for real estate in British Columbia, particularly in the southern half of the province. Robust market conditions in the last quarter of 2015 generated sales momentum that carried over into 2016. REALTOR® members of the Vancouver Island Real Estate Board (VIREB) found themselves fielding multiple offers, particularly on single-family homes. Sales of condominiums and townhouses increased as well in nearly every VIREB market, which covers Vancouver Island from the Malahat to its northern tip. As expected, the market cooled somewhat during the summer but was still significantly stronger than in 2015.

Demographics uncovered through the 2015 Buyer Profile showed that owner-occupiers represented 94% of buyers who responded to the survey. REALTOR® members also note that the housing market on the Lower Mainland has motivated a small number of younger sellers with commuting flexibility to cash in their home equity and move to Vancouver Island, which offers the West Coast lifestyle and climate for less money.

Housing affordability also appears to be a driving factor for buyers who choose to settle in the VIREB area. The Buyer Profile shows that 86% of the homes purchased by survey respondents were under \$500,000, and first-time buyers ranged from 6% in Parksville-Qualicum to 33% in Campbell River. At 59%, detached homes continue to be the most popular property type. In August 2016, the inventory of single-family homes was 1,394, a historic low and down from 2,245 homes in August 2015. (VIREB began tracking inventory in 1999.) The last time inventory was this low occurred in 2005, when the number of single-family homes for sale dropped to 1,629. Apartment inventory dropped from 641 units in August 2015 to 391 units in August 2016. Active listings of townhomes were 208 in August 2016 compared to 309 in August 2015.

photo: Rebecca Barry



In August 2016, the inventory of single-family homes was 1,394, a historic low and down from 2,245 homes in August 2015.*

* Region from the Malahat to North Island; VIREB began tracking inventory in 1999.

The benchmark price of a single-family home ranged from \$200,000 in Port Alberni to around \$430,000 in the Parksville-Qualicum area. It is too early to say whether the 15% Foreign Buyer Tax implemented on August 2, 2016 will have any effect on market conditions in our area. The 2015 Buyer Profile showed that only 2% of purchasers were from outside of Canada. However, VIREB and other real estate boards in the province, along with the British Columbia Real Estate Association, are closely monitoring the situation and keeping abreast of ongoing developments.

South Island

Despite the fact that the first half of 2016 posted a record breaking number of sales and low inventory levels, there is great diversity in the South Island market from efficient condos in the downtown core for under \$175,000 to multi-million dollar luxury Oak Bay beachfront estates. The benchmark price for a single family home in the Victoria core is \$741,100 (July 2016). Core-area properties have seen sizeable price appreciation in recent years. In the West Shore, land supply is more abundant and the benchmark price for a single family home is \$470,300. On the rural Saanich Peninsula, the benchmark for single family home is \$653,300.

The majority of in-migration to Greater Victoria comes from buyers from other areas of BC, followed by buyers from Alberta. In the first quarter of 2016, slightly more than 2% of buyers were from out of country, which is close to the 2% counted the year previous. The vast majority (over 72%) of home buyers in Greater Victoria are from Greater Victoria.

It's impossible to speculate what the future holds for real estate in Victoria, but the opinion of local REALTORS® is that the value of properties in the Greater Victoria area will continue to rise due to the limited inventory in many high demand areas. The current market conditions is expected to continue to create pressure on price and availability.

Living Wage

Living Wages

FOR SELECTED
COMMUNITIES
ON VANCOUVER
ISLAND

Cowichan Valley

\$18.81

Nanaimo

\$17.99

Port Alberni

\$17.22

Qualicum/Parksville

\$17.30

Victoria

\$18.93

Source: Living Wage Canada
and Cowichan Valley Living Wage
2015.

Wage Rates

ON VANCOUVER
ISLAND AND
COAST

Low

\$11.00

Median

\$25.60

High

\$50.74

Source: Government of Canada
Job Bank Wage Report.

A living wage is the hourly wage rate that is required for a household to meet its basic needs and provide a basic level of economic security. Living wages are calculated based on a family of four in which both parents work full-time, one child is in full-time daycare and one child is in after school care. Costs used in the calculation include rental housing, transportation, food, clothing, childcare, medical expenses and miscellaneous expenses. The calculation does not include allowances for retirement savings, debt servicing or the costs of caring for an elderly, disabled or seriously ill family member.¹⁴

The living wage on Vancouver Island ranges between \$17 and \$20. Average hourly earnings in BC by industry were relatively unchanged between 2014 and 2015 and there is some indication that workers in most industries on Vancouver Island earn above the living wage in their community. However, there is some evidence that wages in hospitality sectors may be below the living wage. Further evidence of this is found in a comparison of the living wage with the median wage rates in selected occupations on Vancouver Island. Skilled workers (e.g., managers, trades, teachers, health care workers, etc.) are more likely to earn above the living wage, while those in occupations in hospitality, Tourism, Retail Trade and food services are more likely to earn below the living wage.

¹⁴ Living Wage Canada, Canadian Living Wage Framework.

FOR SELECTED OCCUPATIONS ON VANCOUVER ISLAND 2013-2014*

www.viea.ca



VANCOUVER ISLAND FIRST NATIONS BUSINESS AND ECONOMIC DEVELOPMENT —PERSPECTIVE

GUEST CONTRIBUTORS

Coast Salish Development Corporation
Esquimalt First Nation, Nuu-chah-nulth
Economic Development, Corporation
k'awat'si Economic Development
Corporation, Quatsino Economic
Development Limited Partnership

Across Vancouver Island First Nations are increasingly active developing their economies and investing in business. This sea change holds broad implications for Aboriginal and non-Aboriginal peoples. Here are some examples.

NORTH ISLAND

The **QUATSINO ECONOMIC DEVELOPMENT LIMITED PARTNERSHIP** (QEDLP) is pursuing synergistic business opportunities while managing five enterprises on behalf of the **QUATSINO FIRST NATION**:

GILAKASLA KA Joint Venture with ENGIE at the Cape Scott Wind Farm
SALMON AQUACULTURE Joint Venture with Marine Harvest Canada
QFN FORESTRY, a Limited Partnership Joint Venture with Western Forest Products

QFN MARINE, a Limited Partnership providing Fisheries Off-loading, Full-Service Commercial and Sport-Fishing Marina, and Marine Fuel Sales in Coal Harbour

QFN INDUSTRIAL PARK (Former BHP Billiton mine site)



Kwa'lilas Hotel renovations Photo: youtube.com/watch?v=t2QRL2Tpg2E

Held over 2½ days, the Aboriginal Business Match (ABM) brings Aboriginal and non-Aboriginal communities, businesses, select non-profits and government agencies together to build new business relationships. Proponents are pre-qualified online before the event for *up to 3* introductory meetings they can schedule and conduct during the event.

The next ABM on Vancouver Island is scheduled for March 27–29, 2017 in the Kwakiutl Territory, Port Hardy. And for the 2nd time, VIEA will co-host.

K'AWAT'SI ECONOMIC DEVELOPMENT CORPORATION (KEDC), on behalf of the **GWA'SALA 'NAKWAXDA'XW** (GNN) **FIRST NATION** on the Tsulquate reserve, adjacent to the town of Port Hardy, is working toward creating, operating and supporting businesses that will be profitable, environmentally sustainable and culturally significant. **KEDC** currently operates a number of businesses employing 110 people, 80% of whom are aboriginal.

TWO HOTELS—KEDC bought and redeveloped two hotels in Port Hardy. **KWA'LILAS HOTEL**, formerly known as The Port Hardy Inn, is undergoing a multi-million dollar renovation to transform the modest travel accommodation into a premier, luxury First Nations themed hotel inspired by a traditional big house design—with a soft launch in September 2016. KEDC's second property, **PIER SIDE LANDING**, completed its facelift in January 2016. The 55-room hotel overlooks the ocean harbour and mountains in Port Hardy's downtown.

The Aboriginal Business Match-Vancouver Island will be hosted at the kaw' lilas Hotel, March 27-29, 2017.

TOURISM—KEDC offers visitors a complete travel experience on the North Island with their new **K'AWAT'SI TOURISM PACKAGES**—eco-tours guided by community members who know the land, water and animals best. Featured packages include drum-making classes, tours of Cape Scott Provincial Park, and Nawakto Rapids and Salmon BBQ.

CONSTRUCTION—K'AWAT'SI CONSTRUCTION employs community members as Red Seal certified journeyman carpenters and labourers who specialize in wood and steel frame construction. Key projects include the two hotel renovations, a \$1.4 million construction of the cold storage facility, new builds of single and

First Nations on Vancouver Island

It appears that the single outside force contributing most to the growth of First Nations economic opportunities is the Rights and Title work that has been carried out by many First Nations.

multi-family dwellings, home renovations on reserve, and the largest Big House on North Vancouver Island.

FORESTRY—GWANAK RESOURCES holds and manages all forestry licenses owned by the Nation. Gwanak Resources employs community members with intimate knowledge of the region including certified arborists, and utilizes its three remote camps (40-man, 20-man and a small 10-person exploratory camp) to provide full-scale forestry services such as engineering planning and guidance, road planning and development and sustainable resource management.

TWO FISHERIES-RELATED PROJECTS—KEDC manages all GNN commercial licenses. This allows the community to control the flow of millions of pounds of fish every year. In addition, KEDC's newly built cold storage facility has a 2.2 million lb. capacity with a 12-hour blast freezer and a 2,000 ft.² fish processing facility. This capacity will help relieve the 10 million lb. storage shortfall in the region and serve the growing needs of locals and sport fishers alike. The second venture, KEDC's first aquaculture pilot project, explores the feasibility of growing Pacific scallops and oysters to market size in a condensed period of time. The project provides a sustainable economic development opportunity for the Nation and a potential means of livelihood for community members wishing to live semi-independently in their traditional homelands.

TRANSPORTATION—GNN MARINE SERVICES provides water transport to businesses who work in remote regions. It currently owns and operates four vessels, two water taxis, a full-size camp services boat and a landing craft.

KEDC sees this activity trending in an upward cycle with the GNN population as the primary driver—with over 350 children under the age of 15, the Nation must create employment and entrepreneurial opportunities for youth.

GNN is involved in the treaty process but NONE of their businesses have been developed through treaty negotiations. They are based on proper business planning and practices.

It appears that the single outside force contributing most to the growth of First Nations economic opportunities is the Rights and Title work that has been carried out by many First

First Nations on Vancouver Island

Pachena Campground, owned and operated by Huu-ay-aht First Nation directly faces the open Pacific at the head of the world-famous West Coast Trail. photo by Logan C.

Huu-ay-aht
First Nation
recently acquired
11 Bamfield
properties. It now
owns the majority
of the businesses
in Bamfield.

Nations. The courts continually make and uphold decisions that support and endorse First Nations Rights and Title. First Nations using these decisions to position themselves in an economically beneficial way are seeing success. Companies and governments creating long-term meaningful relationships with First Nations are finding their ability to have business continuity and long-term strategies play out to everyone's benefit.

WEST COAST

On the west coast, **NUU-CHAH-NULTH ECONOMIC DEVELOPMENT CORPORATION** represents the interests of 15 Nations:

NUU-CHAH-NULTH SEAFOOD CORPORATION, a company owned by five Nuu-chah-nulth Nations, established a west coast fishery and recently acquired St. Jean's Cannery & Smokehouse in Nanaimo.

HUU-AY-AHT FIRST NATION recently acquired 11 Bamfield properties including the Bamfield Trails Motel and an airstrip with the intention to develop these as vacation properties and to establish Bamfield as a tourism destination. Huu-ay-aht First Nation now owns the majority of the businesses in Bamfield.

FIVE NUU-CHAH-NULTH NATIONS are also in various stages of establishing run-of-the-river hydro projects. Nuu-chah-nulth Nations currently have ownership interest in four run-of-the-river projects.

TOQUAHT NATION recently acquired a renewable timber licence in their traditional territory with an annual allowable cut of 38,475 m³.

SOUTH ISLAND

ESQUIMALT NATION has two primary business initiatives - Esquimalt Nation owns 25.5% of **SALISH SEA INDUSTRIES** along with partners, **SONGHEES FIRST NATION** (25.5%) and Ralmax Industries (49%). Salish Sea is active in the barging, pile driving and barge ramp activities in the Greater Victoria area. Esquimalt Nation also owns **WESTBAY R.V. PARK** in partnership with Songhees First Nation.

Historically, Esquimalt reserve land designated for economic development has been environmentally contaminated. Thus,



Waterfront walkway on Esquimalt's south shore. Photo by Blake Handley

The cornerstone of Stz'uminus First Nation economic development activities is Oyster Bay Development, a 65-acre master planned community that will have a commercial/ neighbourhood center, a hotel, 700+ residential units, and assisted living communities.

economic initiatives have been focused off reserve. Recently, with considerable assistance from the federal government, much of this land has been remediated and is now available for development. This enables Esquimalt Nation to focus efforts on reserve development. Even though Esquimalt Nation is not in the treaty process, recognition of aboriginal title has resulted in funds flowing into the Nation. Some of these funds are available for economic development projects. Partnerships with other First Nation and non-First Nation entities are proving successful and the Nation expects to continue with such partnerships as a preferred route to business and economic development.

CENTRAL ISLAND

COAST SALISH DEVELOPMENT CORPORATION (CSDC) is the economic development agency of **STZ'UMINUS FIRST NATION** (SFN) and is responsible for managing and steering SFN's growth through economic planning, developing major partnerships and joint ventures, building relationships with the business community and other First Nations, negotiating partnerships with the Crown and potential private sector partners, marketing, financing, and overseeing the activities of subsidiary businesses.

CSDC operates businesses in many industries to build a diversified economy for Stz'uminus First Nation, including forestry, real estate development, construction, petroleum services, property management, resource partnerships and aquaculture & fisheries. CSDC's portfolio of companies are **DEER POINT DEVELOPMENTS**, **THUTHIQUOT RESOURCES**, **THUY'SHE'NUM PROPERTY MANAGEMENT**, **THUY'SHE'NUM INVESTMENTS**, **COAST SALISH AQUACULTURE** and **IVY GREEN PETROLEUM SERVICES** which operates an award winning Husky service station.

The cornerstone of Stz'uminus First Nation economic development activities is **OYSTER BAY DEVELOPMENT** located on SFN's reserve alongside the Trans Canada Highway. Now under construction, the 65-acre master planned community will have a commercial/ neighbourhood center, a hotel, 700+ residential units, and assisted living communities. Signed tenants include Ladysmith & District Credit Union, the First Nations Health Authority, a 79-room Microtel Hotel, Tim Horton's and Esso station to be operated by Ivy Green Petroleum

First Nations on Vancouver Island

Services. CSDC is in early discussions with assisted living developers and will be pursuing residential development in 2017.

In 2013, SFN signed onto the First Nations Land Management framework, taking SFN reserve lands out from under Indian Act control. This put CSDC/SFN in the position of being both developer and municipality, which has allowed CSDC to create and implement a simplified, efficient municipal structure for businesses to operate within. Water & Sewer services are in place at IR12, and the service agreement with the Town of Ladysmith will accommodate future growth.

A good example of this type of land acquisition/re-zoning is CSDC's residential real estate development at **HOLLAND CREEK IN LADYSMITH, BC** (www.hollandcreek.ca). The 600-lot development is located on lands that were until recently, zoned for forestry. CSDC successfully worked with the Town of Ladysmith to have the lands rezoned as residential. The project is close to acquiring the final municipal approvals and lots could be available as early as 2017.

CSDC also pursues strategic partnerships and Impact Benefit Agreements on behalf of Stz'uminus. In 2012, CSDC negotiated an Impact Benefit Agreement and Joint Partnership with FortisBC in the **MT. HAYES LIQUEFIED NATURAL GAS STORAGE FACILITY**. This award-winning project provided employment for band members and allowed many to gain valuable skills and experience they could use in the private sector.

Another strategic partnership making use of Stz'uminus First Nation's broader traditional territory is an exploration agreement with RCR Mining for a copper and gold mine. The agreement sets the stage for the financial partnership and also lays out a plan for training and employing SFN members.

THUTHIQUOT RESOURCES, CSDC's forestry arm, continues to use revenues from timber harvests to acquire additional forestry lands, growing SFN's land portfolio. In 2015, Thuthiquot purchased 700 acres of forestry land from Couverdon, Timberwest's real estate company. These lands are currently being managed as woodlots but will provide development opportunities through re-zoning for future generations.

In Closing...

We are grateful to MNP for their sponsorship and for the financial support of Nanaimo Airport, Coastal Community Credit Union, BC Hydro, BC Ferries, and the Ministry of Jobs, Tourism and Skills Training. We are indebted to our Report Committee led by Giles Newman of BDO and all VIEA board members for their commitment to this project.

We hope you have found this report valuable and encourage you to share this information with your colleagues, business acquaintances, representatives in public office, educators and the young people they're helping to navigate future education, training and career paths.

With this publication we have endeavoured to deliver an adequately rounded picture of the Island economy, without bias, political or otherwise. Where opinion is expressed, care has been taken to make sure those opinions are appropriately attributed. In a few instances, we have been able to expand the scope of information published in our inaugural 2015 report. And we will continue to improve on the format and presentation of the report in the years ahead. What will remain constant, however, is our commitment—with the professional guidance of MNP—to source reliable information. For this reason, we invite your comments and suggestions. If you notice that an important industry is missing and you know of reliable and repeatable sources for information, please let us know. If you feel a section is insufficient or under-represented, please offer your insights for improvement. And if you find certain sections particularly useful, please let us know to continue in our present direction.

Since its inception, VIEA has welcomed the views of all those with an interest in the health of the Vancouver Island economy. We have designed our annual Economic Summit to facilitate consideration of matters important to the vitality and sustainability of our economy and welcome everyone—from across all sectors and industries, all levels of government and education, including students—to attend. We have developed the Economic Report to inform and supplement the discussions being had at VIEA's annual Summits. While the report provides only a glimpse into the complexities of our Island economy, it has turned out to be a useful tool, one that sheds light on conditions and trends worth noting and that could affect us in years to come. *The State of the Island Report* is a solid knowledge base from which we can meet the challenges and seize the opportunities that lie ahead.

Po Wan
CHAIR, VANCOUVER ISLAND ECONOMIC ALLIANCE



Thanks

to the generosity of our supporters and the expertise of researchers and staff at MNP, VIEA is proud to present the 2nd edition of this report, an annual reading of the state of the Island economy and the key issues, trends and events that shape the way we live, work and do business on Vancouver Island.

The next edition of the report is planned to be released at VIEA'S 2017 State of the Island Economic Summit...

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If you would like to explore opportunities for strong, sustainable economic growth by engaging with an ever-expanding community of forward thinkers, policy makers and risk takers across sectors and all industries on Vancouver Island, then join VIEA.

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