

#### **Table of Contents**

PERSPECTIVE OF THE COMMITTEE CHAIR 3-6			
LIMITATIONS7			
YEAR IN REVIEW AND OUTLOOK 8-14			
Macroeconomic Indicators  BC Real GDP Growth Rate 2017/18, Exchange Rate, Unemployment Rate			
Infrastructure and Development Building Permits, Housing Starts, Infrastructure Investment, Major Infrastructure Projects			
<b>BUSINESS ENVIRONMENT</b> & INVESTMENT ATTRACTION			
Number of Businesses, Insolvency, Business Formations			
Skilled and Entrepreneurial Immigration PNP Applications, Skills Immigration, Entrepreneur Immigration			
POPULATION AND LABOUR FORCE 19-23			
Population Growth, Population Distribution, Labour Force, Employment Rate, Participation by Region and Age, Employment by Industry, Share of Employment by Sector on VI and in BC			
INDUSTRY ANALYSIS24-39			
Tourism Visitor Indicators and Ferry Traffic			
Aquaculture & Agriculture Distribution of Agrifoods Businesses, Farms, Vancouver Island Share of Aquaculture & BC Production, Shellfish and Finfish Licenses			
Manufacturing Distribution of Businesses			
Forestry Distribution of Businesses, Employment, Timber Processing Facilities, Product and Log Cargo Volumes, Harvest Volumes, Vancouver Island Wood Industry-Perspective			
High Technology Distribution of Businesses			
Education International Enrolments, Number of Businesses, Employment, Addressing Poverty-Perspective			
COST OF LIVING & AFFORDABILITY 40-45			
Housing-Benchmark, Housing Benchmark—Perspective, Wages			
FIRST NATIONS ON VANCOUVER ISLAND 46-50			
Strengthening Island Economy through Aboriginal Self-Determination—Perspective			
IN <b>CLOSING</b> 51			

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STATE OF THE ISLAND ECONOMIC

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#### PERSPECTIVE OF THE CHAIR

VIEA ECONOMIC REPORT COMMITTEE

n behalf of VIEA's Economic Report Committee and all those involved in its production, I am proud to introduce our third annual *State of the Island Economic Report* – what we in VIEA have lovingly come to know under the acronym of SOTIER.

When we produced the first SOTIER in 2015, it was hailed as the only regional assessment of the economy in BC. Now that we have produced three of them, SOTIER, as a concept, has truly become embedded in the business community. It is one of the *must reads* for those investing in our Island economy and for those seeking to make the most of the diverse opportunities that Vancouver Island has to offer in a multitude of industries. Vancouver Island is a place that is very much open for business and that we are all thankful to call home. The third year is always a time when reports like SOTIER mature – a bit like the famous third album. Time will tell whether it becomes the business publication equivalent of Apple Records, but certainly, we believe SOTIER 2017 has now found an identity that will at once be familiar, yet informative and hopefully a little bit challenging.



#### Chair's Perspective—VIEA ECONOMIC REPORT COMMITTEE

In SOTIER 2017, there are positive economic signs to report. We note an increase in the overall labour force participation rate. And that this reflects continued population growth and strength in the overall economy driven by continued strong performance in core sectors such as forestry and growth in high technology and business support services. At the same time, it is clear from our analysis, that the Island economy still faces challenges. There are so many external factors inhibiting growth, yet so many opportunities for it, that business owners and investors alike are constantly seeking to balance both the chance to grow with the need to understand how to create or maintain stability. Our economy is moving, but there is a shift in the sources of wealth for new investment away from traditional Canadian resources strongholds and into different sources of wealth and funding. These include First Nations and aboriginal entrepreneurs, international investors, especially those from Asia, who see opportunity in the relatively cheap value of land to develop new businesses or invest in existing ones, and domestic investors who for various reasons are deciding that now is the time to relocate and start something new. This shift is driving a need for us all to adapt to the new norms of business protocols, behaviour and practices.

There are also real signs of an uptick in traditional strengths, especially in the tourism and leisure industry, where the weakness of the Canadian dollar is bringing people from all over the world to our beautiful Island – and we know that means that many will stay or return as residents, fueling the economy and helping create and establish the new generation of business owners and entrepreneurs.

Some Island education and other institutions are starting to prove that real investment in R&D has tangible and significant benefits. This has to continue, and we lay down this challenge to the business community and the world class education establishments across the Island – let us find one or two areas of strength where we can truly establish ourselves as being an incubator for world-leading innovation, technologies and industry practices.

It thrills me to report that we are continuing to see the development of Indigenous businesses and entrepreneurs the length and breadth of



Kwa'lilas Hotel Port Hardy BC

#### Chair's Perspective—VIEA ECONOMIC REPORT COMMITTEE

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

the Island. From the wonderful new Kwa'lilas Hotel in Port Hardy to progressive investments in business and renewable energy of the T'Souke First Nation, we are seeing that First Nations are starting to take their rightful place at the table in our economy. Indeed, in some areas like Port Hardy and Bamfield, First Nations are the main drivers in the economy, creating opportunities for all whilst providing much needed revenues and jobs for the members of their own communities.

Finally, 2018 presents a new era for BC and the Island politically. We can anticipate change with a different philosophy driving provincial priorities. With Vancouver Island GDP at approximately 14% of the provincial GDP and with a population of nearly 800,000, Vancouver Island is larger than several provinces. We are poised to significantly increase the Island's contribution towards the GDP, and we need support for visionary initiatives that will strengthen our economy and sustain our environment.

It would be irresponsible of me not to sign off with a huge thank you to our Board, the members of our SOTIER Report Committee and all the various contributors to the report. I would especially like to thank George Hanson, Po Wan and Pip White for their hard work and dedication in overseeing the production of SOTIER 2017, and MNP for their continued input and analysis. This is my last report as I am moving on to new challenges and opportunities of my own, and I would like to thank all members past and present of the VIEA Board for their friendship and their forbearance in equal measure. It has been a privilege working with you and I know you will support the Island and its economy for years to come.

#### Giles Newman

Chair, VIEA State of the Island Economic Report Committee

# 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.

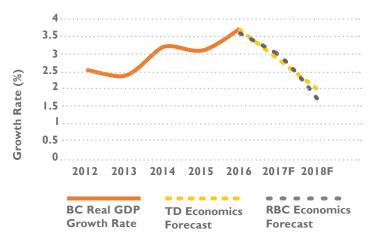
Before taking any particular course of action, readers should consult their professional advisor to discuss matters in the context of their particular situation.

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#### **OUTLOOK FOR 2017/18**

#### **BC Real GDP Growth Rate**



Source: Statistics Canada CANSIM Table 379-0030, GDP at basic prices, TD Economics, Provincial Economic Forecast (June 22, 2017), RBC Economics, Provincial Outlook (June 2017)

Vancouver Island is expected to benefit from continued growth due to in-migration, residential construction and consumer spending. Tourism is also expected to contribute to growth; however, to a lesser extent than in the past several years due to lower growth in visitors.

Forestry is projected to continue to perform well; however, declining timber supply is a concern and is likely to constrain growth in forestry production.

#### **GDP**

Global economic growth improved in the first quarter of 2017, leading the Bank of Canada to increase its forecast for economic growth in Canada in 2017 from 2.1% to 2.8%.<sup>2</sup> The higher forecast was due to increases in investment in the oil and gas sector, expected increases in demand for exports, expected increases in business investment and economic stimulus arising from spending by the federal government. There is, however, considerable uncertainty with respect to US trade and fiscal policies and the potential for growth in protectionism globally. As a result, Canada's economic growth is forecast to slow to 2.0% in 2018 and 1.6% in 2019.<sup>3</sup>

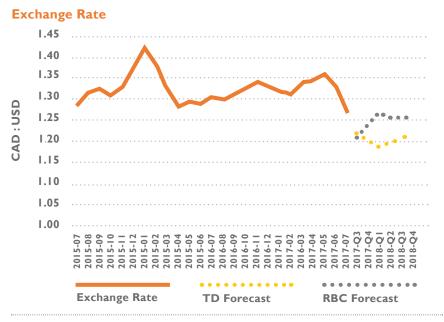
Economic conditions in BC have remained strong in the first half of 2017 but are expected to moderate in the second half of the year. Annual economic growth is projected to be in the range of 2.75% to 3% for the year. The primary factors behind the moderation in growth are slowing of forest product exports due to the imposition of countervailing and anti-dumping duties by the US, a levelling off of growth in tourism and increases in interest rates that will reduce consumer spending.<sup>4</sup>

<sup>&</sup>lt;sup>2</sup> Bank of Canada. Monetary Policy Report. July 2017.

<sup>&</sup>lt;sup>3</sup> Bank of Canada. Monetary Policy Report. July 2017.

<sup>&</sup>lt;sup>4</sup> TD Economics Provincial Economic Forecast (June 22, 2017) and BC Business Council BC Economic Review and Outlook (Q2 2017).

#### **Macroeconomic Indicators**



Source: Bank of Canada, TD Economics, RBC Economics

Stronger than expected economic growth has led the Bank of Canada to increase its key lending rate leading to an appreciation in the value of the Canadian dollar relative to the US dollar.

The appreciation in the value of the Canadian dollar is not expected to significantly impact export sectors on Vancouver Island such as Forestry and Aquaculture in the near term as demand remains strong. However, there is expected to be some moderation in the growth of Tourism.

fter declining in value in the first quarter of 2017, the Canadian dollar has been appreciating relative to the US dollar. As of September 2017 the Canadian dollar was trading in the range of \$1.21 Canadian per US dollar (\$0.79 US per Canadian dollar) to \$1.23 Canadian per US dollar (\$0.81 US per Canadian dollar). Relative to the Great British Pound the Canadian dollar has appreciated, while relative to the Chinese Yuan and the Euro the Canadian dollar has been stable.<sup>5</sup>

The rise in the value of the Canadian dollar is linked to the Bank of Canada's decision to increase its key lending rate in July and again in September in response to indications that the Canadian economy was performing above capacity and to prevent inflationary pressures from building.

Analysts do not expect significant changes in the range that the Canadian dollar is trading in through 2018.<sup>6</sup> However, there is uncertainty in currency markets due to questions about the future of US trade relationships, and the potential risk of large economies leaving the European Union.

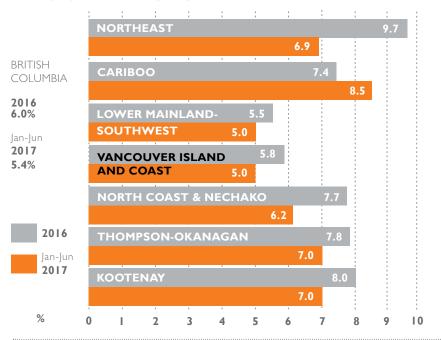
The next interest rate announcement by the Bank of Canada is scheduled for October 25, 2017.

<sup>&</sup>lt;sup>5</sup> Bank of Canada.

<sup>&</sup>lt;sup>6</sup> TD Economics Exchange Rate Forecast, August 2017. RBC Economics Exchange Rate Forecast September 2017.

#### Macroeconomic Indicators





Source: CANSIM 282-0122, CANSIM 282-0123 and BC Stats Monthly Labour Force Statistics.

he unemployment rate on Vancouver Island declined in 2016 and continued to decline through the first six months of 2017. The changes in the unemployment rate were accompanied by increases in employment reflecting the continued strength in Vancouver Island's economy.

As of July 2017, the unemployment rate on Vancouver Island was the lowest in BC at 4.6%. This suggests that the labour market is very tight and employers may be experiencing difficulty filling vacant positions. Migration patterns and construction activity indicate that there is likely employment growth in most regions of Vancouver Island. Consequently, tight labour market conditions are likely to exist in all regions.

Further declines in the unemployment rate are not expected through 2017 as at levels below 5% most unemployment is likely to be related to skill mismatches or people changing jobs.

<sup>&</sup>lt;sup>7</sup> Statistics Canada, CANSIM Table 282-0122 Labour Force Survey Estimates.

#### Infrastructure and Development



Source: Statistics Canada, Produced by BC Stats.

#### **Housing Starts**



Source: CMHC, Starts and Completions Survey.

Year-over-year changes in housing starts are reported separately for the Capital Region and the rest of Vancouver Island this year to show differences in trends. While housing starts in the Capital Region declined significantly year-over-year in the first six months of 2017, they remain above the three-year average.

he value of building permits on Vancouver Island continues to grow. In the first six months of 2017 the value of building permits grew by approximately 19% compared with the same period in 2016.8 Residential permit values were up by approximately 24%, commercial building permit values rose by approximately 6.4% and all other categories of building permit values rose by a combined 6.6%. The largest year-over-year increases have been in the Nanaimo, Comox Valley and Mount Waddington Regions.

Building permits indicate construction intentions, while housing starts indicate construction activity. In the first six months of 2017, housing starts fell on Vancouver Island. This was due to significant declines in housing starts in the Capital Region. In all other regions on Vancouver Island housing starts were up significantly year-over-year. It must be noted that in 2016, the year against which we are comparing, housing starts in the Capital Region grew by 64% relative to 2015. Compared with housing starts between 2013 and 2015, housing starts in the Capital Region are up in 2017.

The overall outlook remains positive and construction activity is expected to remain strong.

<sup>8</sup> Statistics Canada, Produced by BC Stats.

#### Infrastructure and Development

#### Building Permits BY REGIONAL DISTRICT—JANUARY TO JUNE 2017 (in 000s)



#### Major Infrastructure Projects Under Construction

VALUE OF INVESTMENT in \$MILLIONS

**Utilities** 

\$1,122

Transportation

\$23 |

Hospitals

\$/15

Educational Institutions

\$96

Affordable Housing

\$22

Source: British Columbia Major Projects Inventory, Q4 2016. nfrastructure investments on Vancouver Island are being made in power generation, hospitals, transportation infrastructure, education, and affordable housing. The major projects under construction include:

# John Hart Generating Station Replacement 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. As of July 2017, the project is on track to be commissioned in the fall of 2018. 10

#### North Islands Hospital Project

The two hospitals in Campbell River (open September 2017) and Comox Valley (open October 2017) are being replaced and upgraded to add acute care capacity and enhance the quality of care in the North Island region.<sup>11</sup>

<sup>&</sup>lt;sup>9</sup> BC Hydro. https://www.bchydro.com/news/press\_centre/news\_releases/2013/john-hart-replacement.html.

 $<sup>^{10}\,</sup>BC$  Hydro. https://www.bchydro.com/energy-in-bc/projects/john\_hart\_generating/construction-schedule.html.

II Island Health. http://nihp.viha.ca/about/.

#### Infrastructure and Development

#### Johnson Street Bridge Replacement

The Johnson Street Bridge, which connects downtown Victoria to Victoria West and Esquimalt, is being replaced to improve safety and accessibility. Approximately 50% of the deck space will be dedicated for pedestrians and cyclists. As of September 2017 the project is behind schedule and according to the July 20, 2017 report to Council, completion is forecast for mid-2018.

# Health and Science Centre Investment at Vancouver Island University

Vancouver Island University (VIU) is upgrading and expanding facilities to support training for high-demand occupations. A new Health and Science Centre will consolidate VIU's health and chemistry programs into one facility, as well as add teaching labs for nursing, and an environmental research facility. This facility is intended to improve student recruitment and retention for high-priority health occupations, like nursing. 15

The facilities used for Automotive and Marine Trades training are being reconfigured and upgraded to increase capacity by 128 full-time spaces and foster collaboration with industry. <sup>16</sup> Construction began in spring 2017 and is expected to be completed in time for use in September 2018.

#### Affordable Housing Construction in Victoria

There are currently two affordable housing developments under construction in Victoria that will add 103 units to the existing supply. Once completed these projects will bring the total additional affordable housing units added in the Capital Region since 2016 to 238 units.

#### Seniors Housing

The Eden Gardens Seniors Housing development was completed in April 2017 in Nanaimo. This 130 bed facility provides long-term care for individuals with dementia.<sup>17</sup>

<sup>&</sup>lt;sup>12</sup> City of Victoria. Johnson Street Bridge Replacement Project.

<sup>&</sup>lt;sup>13</sup> City of Victoria. http://www.johnsonstreetbridge.com/new-bridge/design/.

<sup>&</sup>lt;sup>14</sup> Nanaimo News Bulletin. "Construction starts on Vancouver Island University health science centre." Apr 24, 2017.

<sup>&</sup>lt;sup>15</sup> BC Ministry of Advanced Education, Skills and Training. https://news.gov.bc.ca/releases/ 2017AVED0005-000112.

<sup>&</sup>lt;sup>16</sup> VIU. "Marine , Automotive and Trades Complex." (https://ur.viu.ca/campus-development/marine-automotive-and-trades-complex) and BC Government, "Canada and BC to Invest to Renew Infrastructure at Vancouver Island University," December 2016 (https://news.gov.bc.ca/releases/2016AVED0125-002601).

<sup>&</sup>lt;sup>17</sup> Eden Gardens. http://www.edengardens.ca/cms.asp?wpID=83.



he strong economic conditions on Vancouver Island were reflected in growth in the number of businesses in 2016. Much of this growth was in businesses that serve more than just the local market. This includes businesses classified as Professional, Scientific and Technical Services, a grouping that includes many High Tech companies and professional services. The number of businesses in this category has been growing since 2014. While most of the growth in this industry has occurred in the Capital, Cowichan Valley and Nanaimo Regions there has also been growth in the Comox Valley and Strathcona Regions.

In 2016, the number of businesses in Manufacturing grew in the Capital Region and the Cowichan Valley. The number of businesses in Construction also grew, reflecting the increasing construction activity.

There was also growth in businesses providing Tourism related services and services to the local population. This includes Accommodation and Food Services, and Transportation and Warehousing.

Business formations increased between 2015 and 2016 and remained above their three year average in all regions except Mount Waddington. Bankruptcies for both businesses and consumers continued to fall year over year.

These trends suggest that the outlook for Vancouver Island remains positive through 2017 and into 2018.

#### **Number of Businesses with Employees**

Category		With Employees	Trend
Goods Producing Sector			
Agriculture, Forestry, Fishing, Hunting	* * *	1,227	•
Construction		3,708	<b></b>
Manufacturing **		1,000	<b></b>
Mining & Oil & Gas Extraction		77	<b></b>
Utilities 🔮		35	<b>&gt;</b>
Service-Producing Sector			
Accommodation & Food Services	<b>H</b>	2,150	<b></b>
Admin. & Support, Waste Management & R	emediation 🚓	1,274	<b>&gt;</b>
Arts, Entertainment & Recreation	)	517	<b>&gt;</b>
Educational Services		403	<b>&gt;</b>
Finance and Insurance 🧸 💲		983	<b>&gt;</b>
Health Care and Social Assistance		3,350	<b>&gt;</b>
Information and Cultural Industries		290	<b>•</b>
Management of Companies and Enterprises	s • •	100	•
Other Services (excl. Public Admin.)		2,347	•
Professional, Scientific and Technical Service	es 🖩 🕸	3,462	<b></b>
Public Administration 🗰		377	<b>-</b>
Real Estate and Rental & Leasing		1,348	<b>&gt;</b>
Retail Trade 💲		3,788	<b>&gt;</b>
Transportation & Warehousing	]	935	<b></b>
Wholesale Trade		892	<b>&gt;</b>
	Growing 📥	Stable Dec	lining 🖶

Source: Statistics Canada, Business Register, Establishment Counts December 2016.

#### **Insolvency**

# **Business Bankruptcies**

2013 - 2015
ANNUAL AVERAGE

British Columbia

| 8 |
Vancouver Island and Coast

British Columbia

49

Vancouver Island and Coast

# **Consumer Bankruptcies**

2013 - 2015
Annual Average

British Columbia
6,386

Vancouver Island and Coast
1,52

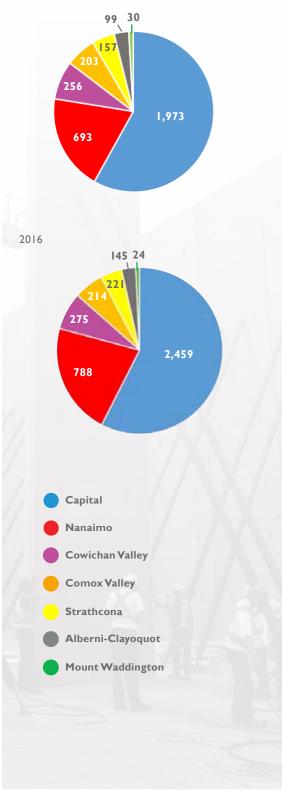
British Columbia
4,7 | 9

Vancouver Island and Coast
| , | 45

Source: Office of the Superintendent of Bankruptcy Canada.

# **Business Formations—Incorporations**BY REGIONAL DISTRICT





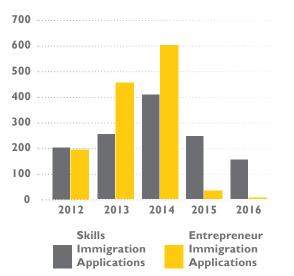
Source: BC Stats, Business Formations and Failures.

#### **Skilled and Entrepreneurial Immigration**

#### **Applications to the Provincial Nominee Program**







# **Entrepreneur Immigration**

Work Permits
268

Nominations
| | 5

Jobs Created
20 |

Investment
\$ | 8

MILLION

Source: BC Ministry of Jobs, Trade and Technology.

Source: BC Ministry of Jobs, Trade and Technology.

Note: Due to a large inventory of applications to process, there was a 90 day program pause in 2015, which led to a surplus of applications from 2015 that were processed in 2016. As a result, the 2015 and 2016 data should be considered in conjunction with one another.

he British Columbia Provincial Nominee Program (BC PNP) facilitates the imigration 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. On average, approximately 250 people each year apply under this program on Vancouver Island. Between 2012 and 2016, there were 1,293 applicants for skills immigration on Vancouver Island, of which approximately 74% 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. The number of applicants under this stream has declined significantly since 2014. Of the 1,298 applicants between 2012 and 2016, approximately 21% received work permits and 9% received nominations.

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#### POPULATION AND LABOUR FORCE

opulation growth continues to be an important factor in the growth of Vancouver Island's economy. Between 2015 and 2016, the population growth rate increased from 1% to 1.3%.18 This was comparable to the overall population growth rate in BC and only slightly lower than the growth rate in the Lower Mainland. Growth on Vancouver Island continues to be driven by migration from other regions of Canada and to a lesser extent from other regions of BC.

As expected, the majority of people moving to Vancouver Island settled in the southeast between Nanaimo and the Capital Region. However, population growth in most other areas was stronger than expected. After four consecutive years of declines the population of the Alberni-Clayoquot Region grew in 2016. The growth in the Alberni-Clayoquot Region was primarily concentrated in Tofino, Ucluelet and the surrounding areas.

Preliminary indicators suggest that population growth in 2017 remains strong in most regions.

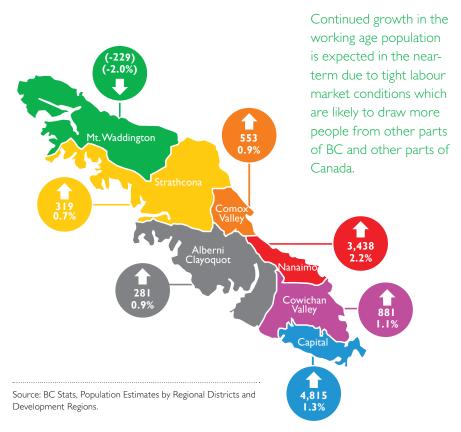
Of particular interest in the recent trends in population are changes in the age distribution and the working age population. The population of Vancouver Island continues to age, suggesting that the majority of those moving to Vancouver Island are approaching retirement age or are retiring. However, it appears that after declining by approximately 1.5% between 2011 and 2015, the working age population has stabilized and is beginning to grow. 19 This is consistent with the significant improvement in economic

<sup>&</sup>lt;sup>18</sup> BC Stats, Population Estimates 2015-2016.

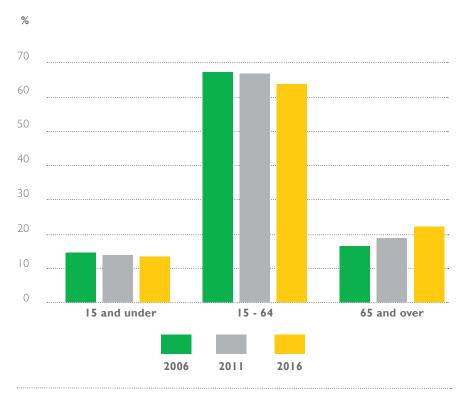
<sup>19</sup> BC Stats, Sub-Provincial Population Estimates, 2011-2016.

#### **Population**

#### Population Growth BY REGION 2015 TO 2016



#### Population Distribution VANCOUVER ISLAND AND COAST BY AGE GROUP



Source: BC Stats, Population by Age and Sex.

#### Labour & Employment

conditions since 2014 encouraging working age people to remain on Vancouver Island and attracting people seeking employment to move to Vancouver Island.

Since 2014 labour force participation rates have increased for those age 50 and over. This is consistent with improvements in labour market conditions and suggests that some people may be choosing to work longer. This choice may be related to either a preference to continue to be involved in some form of paid work, or it may reflect economic need and improved economic conditions that mean older workers are more likely to be able to find jobs.

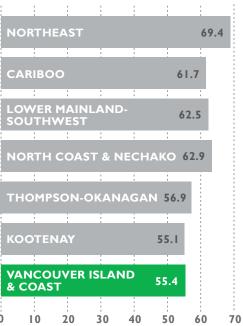
#### Labour Force Participation Rate Trends



Source: Statistics Canada, Labour Force Survey, (CANSIM) Table 282-0002.

## Employment Rate BY REGION 2016 IN PERCENTAGE (%)

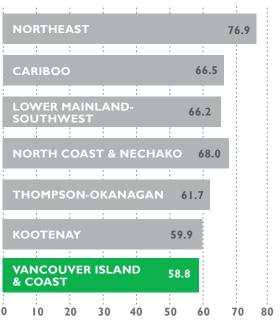
#### **BRITISH COLUMBIA 60.5%**



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

# **Labour Force Participation Rate** BY REGION 2016 IN PERCENTAGE (%)

#### **BRITISH COLUMBIA 64.4%**



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

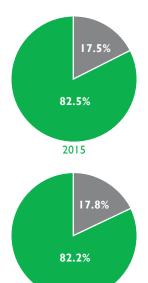
#### Labour & Employment

#### Employment By Industry 2016 (IN 000s)



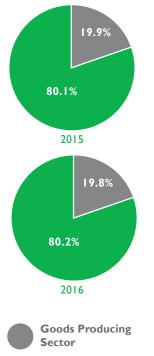
Source: Statistics Canada, Labour Force Survey, Custom Tabulation, Prepared by BC Stats June 2017.

#### Share of Employment BY SECTOR ON VI 2016



**Share of Employment** BY SECTOR IN BC 2016

2016



s economic conditions have improved, the effects are spreading beyond individual sectors and are being felt more widely. Overall employment is continuing to grow, and in 2016 employment in both the goods producing sector and the service producing sector grew.

The share of employment accounted for by the goods producing sector increased marginally but remains below that in BC as a whole. Within the goods producing sector, employment in Construction and Manufacturing grew significantly while employment in other industries was relatively flat. The growth in Manufacturing employment was primarily related to Food and Beverage Manufacturing and Textiles. Employment in Wood Product Manufacturing increased modestly while employment in Pulp and Paper continued to decline.

Employment gains in the service sector occurred in High Tech related industries and in industries providing support services to businesses and individuals. Professional Services employment (e.g., legal and accounting) grew significantly, as did employment in Management and Administrative Services. Modest employment increases also occurred in Accommodation and Food Services.

Preliminary indicators suggest that employment gains are expected to continue in Construction, Professional Services and Hospitality related industries in 2017. There are also expected to be gains in employment in Education as the result of a Supreme Court of Canada ruling in November 2016<sup>20</sup> affecting class size and composition requirements in public schools.

Sector

Service Producing

Source: Statistics Canada, Labour Force Survey, Custom Tabulation, Prepared by BC Stats June 2017.

<sup>&</sup>lt;sup>20</sup> Stueck, Wendy and Justine Hunter, "BC to Restore Smaller Class Sizes After Teachers' Union Court Victory," *Globe and Mail*, November 13, 2016.



### DID YOU KNOW?

With less than 0.1% of BC's population, Tofino and Ucluelet comprise 1.3% of BC's tourism jobs, account for 2.0% of the dollars spent in BC's tourism economy, and generate 7.5% of provincial tourism taxes.

The value of the Tofino-Ucluelet tourism economy has more than doubled since 2011.
Annual visitation to Pacific Rim National Park Reserve has increased by almost one-third since 2002 and 29% of youth in the region work parttime, year-round.

The average age of the west coast communities is 34 years. 85% of the region's youth report that "it wasn't hard to find a job." With over 450 business licences, one in four people in Tofino operates a small business.

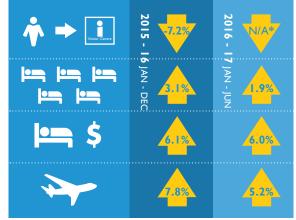
The Lighthouse loop of Ucluelet's Wild Pacific Trail is used by 100 people HOURLY between 10 am and late afternoon. In July alone, more than 120,000 people experienced the trail.

Ucluelet Aquarium has averaged more than 3,000 monthly visitors since its March opening.

Sources: Resort Community Collaborative. 2015. "Resort Municipality Initiative Funding: Building on Success." Cadence Strategies.

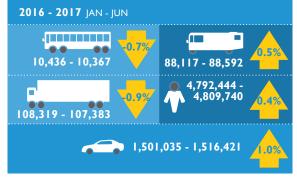
Clayoquot Biosphere Trust. 2016. Clayoquot Sound Biosphere Reserve Region's Vital Signs.

#### **Visitor Indicators** YEAR OVER YEAR CHANGE



Source: Destination BC, Provincial Tourism Indicators.

#### Ferry Traffic YEAR OVER YEAR CHANGE



Source: BC Ferries.

ndicators suggest that Tourism will continue to perform well in 2017 on Vancouver Island. However, growth is expected to moderate as increases in the number of visitors slow. In the first six months of 2017, passenger volumes and vehicle traffic on BC Ferries were up 0.4% and 0.9% respectively, compared with the same period in 2016. Passenger volumes at regional airports were up 5.2%. While passenger traffic has increased, the year-over-year rates of growth are below those in 2015 and 2016.

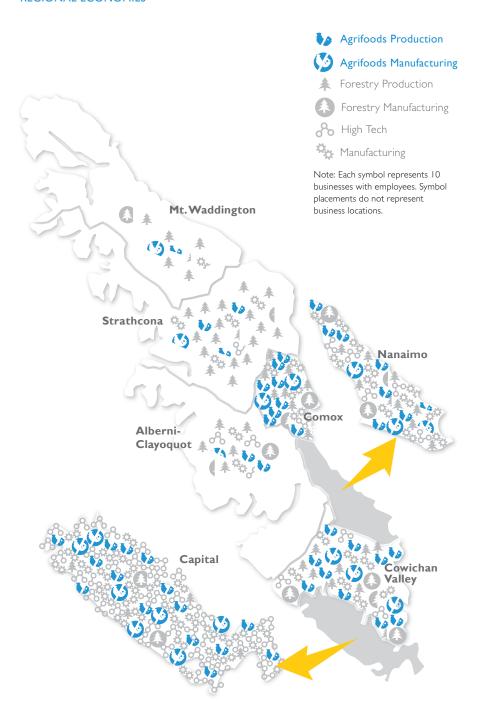
Similar signs of slower growth are apparent in hotel occupancy rates and average daily room rates, which also increased at rates below those in 2015 and 2016 in the first six months of 2017. The lower growth rates are consistent with a leveling off of US overnight visitors to BC.<sup>21</sup> International visitors to BC continue to grow, and this is expected to be the primary source of growth in Tourism on Vancouver Island in 2017 and 2018.

<sup>\*</sup> Not Available

<sup>&</sup>lt;sup>21</sup> Destination BC, Tourism Indicators - August 2017.

#### Aquaculture & Agriculture

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



Source: Statistics Canada, Business Register.

#### Aquaculture & Agriculture

# Farms Engaged in Animal Producition



# Farms Engaged in Crop Producition





# DID YOU KNOW?

Every five years Statistics Canada conducts a Census of Agriculture in conjunction with the Census of Population. The Census of Agriculture provides a statistical snapshot of agriculture at a particular point in time. The latest Census of Agriculture was conducted in 2016.

Between 2011 and 2016 the number of farms on Vancouver Island declined by 193 (6.7%). Over 60% of the reduction was due to decreases in farms engaged in animal production. Within crop production, the number of farms growing vegetables increased while the number of greenhouse, nurseries and floriculture operations declined significantly.

Regionally, the largest declines in the number of farms occurred in the Capital Region, followed by the Cowichan Valley. Together these two regions accounted for approximately 74% of the decrease in the number of farms on Vancouver Island.

Trends on Vancouver Island are consistent with the trends in the Lower Mainland which has experienced significant increases in population and land values between 2011 and 2016.

# **BC** Aquaculture **Production**

ANNUAL AVERAGE 2010 to 2015 (\$ MILLIONS)

FINFISH \$454 77,209 tonnes

SHELLFISH \$2 | 9,146 tonnes

TOTAL \$475 86,355 tonnes

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

quaculture production in BC increased significantly in 2015, after large declines in 2014. This was driven by substantial growth in the quantity of salmon produced. The quantity of shellfish produced declined.

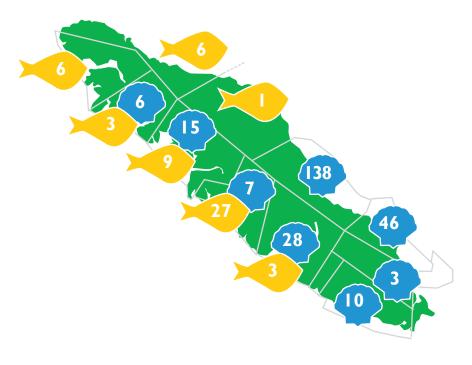
Export data indicates that salmon production in 2016 was also higher than in previous years. For 2017, export data from the first four months indicate that the quantity of salmon exported from BC has declined, compared to the same period in 2016.<sup>22</sup> In addition, a norovirus outbreak led to the closure of five shellfish farms on Vancouver Island in the first half of 2017.

Consequently, aquaculture production in 2017 is expected to decline somewhat.

<sup>&</sup>lt;sup>22</sup> Canadian International Merchandise Trade Database.

#### Aquaculture & Agriculture

#### Shellfish and Finfish Licenses



Source: Department of Fisheries and Oceans, Current Valid British Columbia Shellfish Aquaculture License Holders as at June 21, 2017.

#### Vancouver Island Share of Aquaculture Licenses in BC

# 2016 **FINFISH**

Source: Department of Fisheries and Oceans, Current Valid British Columbia Shellfish Aquaculture License Holders as at June 22,

#### DID YOU KNOW?

Between December 2016 and April 2017, eleven BC shellfish farms were closed for harvest as the result of an outbreak of norovirus and gastrointestinal illnesses that was linked to the consumption of BC oysters.<sup>23</sup> Five of the farms closed for harvest were on Vancouver Island – two near Tofino and three near Fanny Bay.<sup>24</sup> On May 11, the Public Health Agency of Canada declared the outbreak over,<sup>25</sup> and by summer 2017 all of the closures were lifted.

While only a small number of farms were closed, others reduced operations and voluntarily ceased shipping product. This led to layoffs and reductions in hours worked at farms on Vancouver Island.<sup>26</sup> As of September 2017, the long-term impacts of the outbreak on the industry remain unknown.

<sup>&</sup>lt;sup>23</sup> BC Medical Journal. http://www.bcmj.org/bc-centre-disease-control/bcoysters-and-norovirus-hundreds-cases-months-%E2%80%9Cr%E2%80%9D

<sup>&</sup>lt;sup>24</sup> BC Medical Journal. http://www.bcmj.org/sites/default/files/BCMJ\_Vol59\_ No4-bc-cdc-image.jpg.

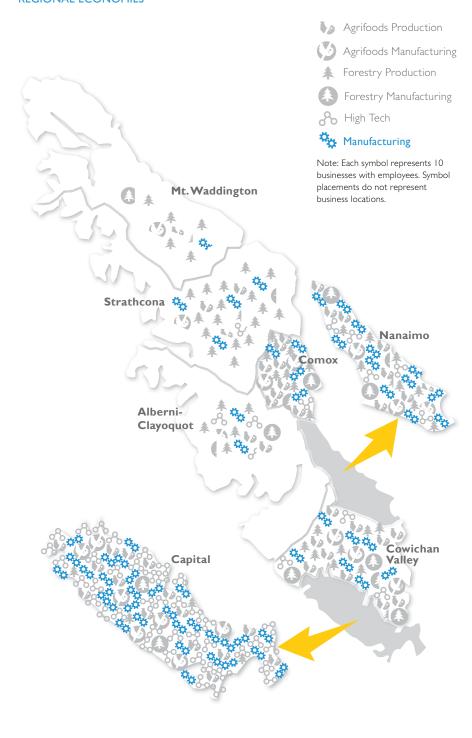
<sup>&</sup>lt;sup>25</sup> Public Health Agency of Canada. http://www.phac-aspc.gc.ca/phnasp/2017/outbreak-norovirus-eclosion-eng.php.

<sup>&</sup>lt;sup>26</sup> Global News. http://vancouverisland.ctvnews.ca/b-c-shellfish-industryreels-as-norovirus-sickens-hundreds-forces-closures-1,3337883.

#### **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

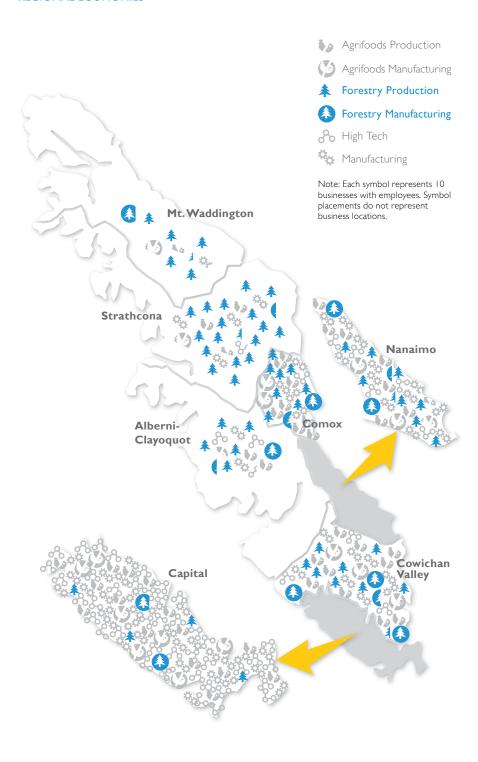


Source: Statistics Canada, Business Register.

#### **Forestry**

#### **Distribution of Businesses**

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



Source: Statistics Canada, Business Register.

#### **Forestry**

#### Distribution of Forest Sector Employment VANCOUVER ISLAND 2016

Pulp and Paper\* Manufacturing 17.5%



\* Values are for Paper Manufacturing Industry which includes Pulp.

33.0%

#### **Total Employment**



Source: BC Stats, Employment by Industry

#### **Facilities**



Source: Ministry of Forests, Lands and Natural Resource Operations, Major Timber Processing Facilities in BC, 2015

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

orestry on Vancouver Island continued on a positive growth path in 2016. This was reflected in increases in shipments of logs and forest products through Port Alberni and the Port of Nanaimo, which grew by 18%, year over year. The growth was largely driven by log shipments through the Port of Nanaimo, which grew by 36%, year over year, while shipments of forest products were relatively flat.

Employment in the sector remained at approximately 11,000. Employment in wood product manufacturing increased modestly while employment in pulp and paper manufacturing continued to decline and employment in forestry and logging was stable.

There are expected to be declines in forestry production on Vancouver Island going forward. The 12 month grace period following the expiry of the softwood lumber agreement ended in October 2016, and in April 2017 the US Department of Commerce announced that it would be imposing countervailing duties on softwood lumber imports from Canada. This was followed by anti-dumping duties being announced in June 2017.

In the first seven months of 2017 softwood lumber exports from the BC Coast to the US declined year over year by approximately 25% to levels in the range of those between 2013 and 2015.<sup>27</sup> Producers were able to somewhat mitigate the decline in shipments to the US by redirecting shipments to Asian markets.<sup>28</sup> However, falling timber supply is constraining lumber production. Limited log supply was cited in the decision by Western Forest Products to consolidate its operations in the south Island and the closure of its Somass sawmill in Port Alberni.<sup>29</sup>

The overall effect of the declining timber supply and the expiry of the softwood lumber agreement were reflected in production declines of approximately 14%, year over year, on the BC Coast between January 2017 and May 2017. Continued declines in production on Vancouver Island are expected through 2017; however, they are not expected to significantly affect employment levels in the near-term.

<sup>&</sup>lt;sup>27</sup> Foreign Affairs, Trade and Development Canada, Monthly Softwood Lumber Export Report (http://www.international.gc.ca/controls-controles/ softwood-bois\_oeuvre/index.aspx?lang=eng).

<sup>&</sup>lt;sup>28</sup> Canadian International Merchandise Trade Database and Western Forest Products 2017 Second Quarter Report.

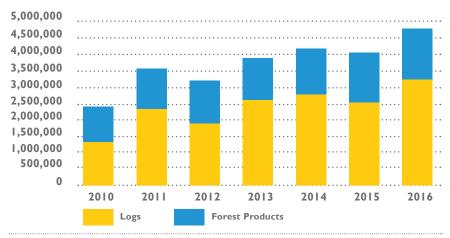
<sup>&</sup>lt;sup>29</sup> Western Forest Products Inc., 2017 Second Quarter Report.

<sup>&</sup>lt;sup>30</sup> Statistics Canada, CANSIM Table 303-0064 Lumber production, shipments and stocks, by Canada and provinces, monthly (m<sup>3</sup> x 1,000).

#### Forestry

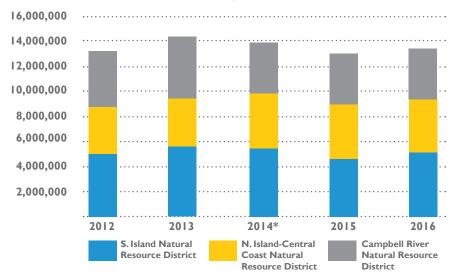
#### Forest Product and Log Cargo Volumes

THROUGH PORT ALBERNI AND PORT OF NANAIMO IN METRIC TONNES



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

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



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

# DID YOU KNOW? SOFTWOOD LUMBER TARIFFS

The outcome of negotiations on a softwood lumber trade agreement with the US has important implications for the forestry sector on Vancouver Island. On April 24, 2017, the US Department of Commerce announced preliminary countervailing duties on Canadian softwood lumber ranging from 3% to 24%. On June 26, 2017, the US Department of Commerce announced preliminary anti-dumping duties on Canadian softwood lumber ranging from 4% to 8%. As of August 2017 the combined preliminary duty rates range from 9% to 31%; however, the final combined rates are expected to be set in November, 2017. Canada will have the chance to challenge these tariffs in 2018, but until then Canadian lumber producers will be obligated to pay this tariff on any softwood lumber shipped to the US.

<sup>&</sup>lt;sup>31</sup> Global Affairs Canada. www.international.gc.ca/controls-controles/softwood-bois\_oeuvre/index.aspx?lang=eng.

 $<sup>{\</sup>it 32}~Global~Affairs~Canada.~www.international.gc. ca/controls-controles/softwood-bois\_oeuvre/index.aspx?lang=eng.$ 

#### **GUEST CONTRIBUTOR**

Bret Torok-Both CHAIR, VIEA WOOD INDUSTRIES COMMITTEE

The combined preliminary antidumping and countervailing duties that were applied to softwood lumber exports to the US range from 9% to 31%. These include company-specific rates for five companies and a common rate for all other companies. As of August 2017, the duty rates applied to exports from BC range from 27% to 31%.

Source: Global Affairs Canada, http://www.international.gc.ca/controls-controles/ softwood-bois\_oeuvre/index. aspx?lang=eng.

# Vancouver Island Wood Industry—Perspective

A long-time staple of the Vancouver Island economy, forestry, has seen slow improvement since the collapse of the US housing market in 2008. Estimated to employ approximately 11,000 people on Vancouver Island, the industry has a significant effect on the Island's economy. The sector not only supports logging and mill operations, but many Island-based fabrication, engineering, environmental, and mechanical contractors do significant business with forestry related companies across BC and beyond.

With the October 2015 expiry of the Softwood Lumber Agreement between Canada and the United States, the US government implemented countervailing duties in April 2017, plus antidumping duties in June 2017, and has added 27% to 31% to the cost of lumber exported to the USA.1 Some of the effect of the duties has been muted by the steadily increasing demand shown in the US housing market, by higher international prices for lumber products, and further helped by the lower Canadian dollar, but in the longer term, a reduction in export product to the USA is expected. Both the federal and provincial governments have made negotiation with the US Department of Commerce a priority, but at the time of writing there is no indication of when a new Softwood Lumber Agreement will be reached or what level of duties will be imposed on the industry. Negotiations could be further delayed given President Trump's aggressive approach to renegotiating the North American Free Trade Agreement.

Outside of the US market, the export of lumber and logs was further helped by the reduction of China's Value Added Tax on agricultural products which occurred in July 2017.<sup>2</sup> The reduction from 13% to 11% will make Canadian products more attractive to purchase.

The debate over log exports continues with

https://www.biv.com/article/2017/6/New-American-duties-on-lumberimposed/.

<sup>&</sup>lt;sup>2</sup> http://www.chinadaily.com.cn/business/2017-05/03/content\_29188491.htm

domestic value-added manufacturers stating that they cannot get a consistent and controlled supply of logs to ensure operations are running smoothly, and the forested land owners stating that they cannot harvest and supply the local mills at what they consider "artificially" low prices created in an "unfair" market controlled by the surplus test. The on-going frustration with the blocking of export shipments is a complicated and emotional situation that contributes strongly to this debate. Although there does not seem to be overwhelming support for the surplus test by any of the parties, there has been no solution identified to improve the current system. On one point, almost everyone agrees—no one likes the current longstanding but deeply flawed system.

The debate is further heightened by the variety of species and the sometimes challenging terrain that Vancouver Island operators have to work negotiate. Steep terrain in remote areas changes the cost of bringing each log to market, and different species demand different prices in both domestic and export markets. It is also not costeffective to transport some species to distant mills and markets. This can lead to significant wasted fibre in the harvesting process. Many industry proponents argue that combining high value export logs with lower value domestic logs is what makes many tree stands viable for logging and that without exports there would be less logging and even more mill closures. We can be assured that the debate will continue through to 2018. While uncertainty will continue for some time because of the complexities and likelihood of protracted litigation surrounding NAFTA, opportunities for industry diversification by identifying and developing new markets for new products should be pursued to achieve longer term stability.

Research conducted by VIEA in 2017 revealed that there are 137 companies active in secondary wood manufacturing on Vancouver Island. Fibre supply and access to markets are critical factors in the continued success and expansion of these businesses and in the potential for new investment in the production of new wood products on Vancouver Island.

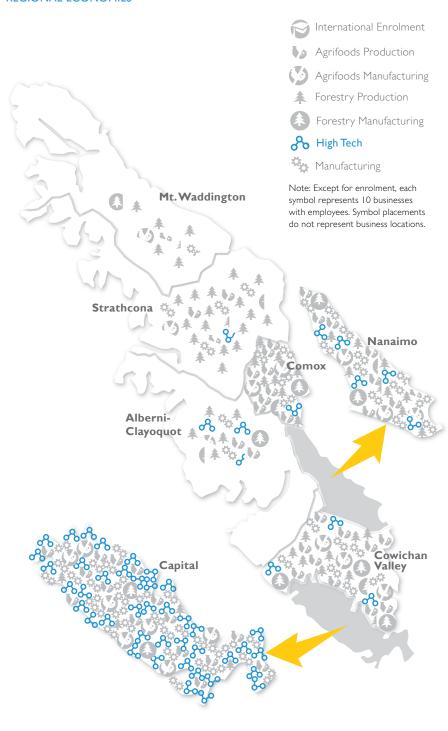
Opportunity is ripe.

 $\label{lem:com/article/2017/6/duties-dampen-bc-sawnill-production/.} Additional Reading: www.biv.com/article/2017/6/duties-dampen-bc-sawnill-production/.$ 

#### **High Technology**

#### **Distribution of Businesses**

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

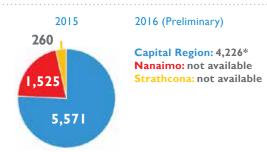


#### **Education**

#### Post-Secondary International Enrolments BY REGIONAL DISTRICT

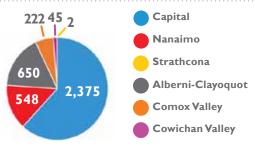
Source: BC Ministry of Advanced Education, October 2016 Data Submission and BC HEADset.

\*Does not include Camosun College.



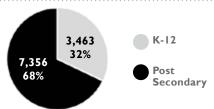
#### K-12 International Enrolments\* BY REGIONAL DISTRICT 2016/17

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 2016 Data Submission, BC HEADset and BC Ministry of Education.



# **Businesses in Educational Services**

₹396 ₹403

Source: Statistics Canada, Business Register December 2015, 2016.

# Employment in Educational Services



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

nternational student enrolment remains an important component of Vancouver Island's education sector. In 2016, international student enrolment in K-12 increased by approximately 11%. Data were not available for all post-secondary institutions on Vancouver Island for 2016. However, the data that were available suggests that international enrolment in publicly funded post-secondary institutions increased marginally. This is consistent with expectations that the rate of growth in international enrolments in post-secondary institutions on Vancouver Island would continue to decline.

The outlook for continued growth in international students on Vancouver Island in the short-term is uncertain. According to the 2016 BC International Education Intelligence Report BC's value proposition has declined due to the increasing cost of housing and other living costs.<sup>33</sup> In addition, BC is increasingly dependent on China for international students, and competition for those students from the US, Australia and New Zealand is growing. Consequently, for the number of international students in BC to continue on a strong growth path BC needs to diversify its markets.

 $<sup>^{33}</sup>$  Illuminate Consulting Group, "2016 British Columbia International Education Report," June 2016.

#### **GUEST CONTRIBUTORS**

Ralph Nilson president & vice-chancellor, viu Adrian Legin president & ceo, coastal community credit union

George Hanson PRESIDENT & CEO, VIEA

# Addressing Poverty: Building Human Capacity and Economic Prosperity — Perspective

The statistics are shocking. The child poverty rate in Canada is 14%, the child poverty rate in BC is 20%, the child poverty rate on Vancouver Island is 21%, and in the central Island, nearly 23%. A 2009 study by CPABC found that poverty in BC costs society between \$8.1 and \$9.2 billion a year—or between 4.1 and 4.7% of the provincial economy (as measured by GDP) in costs to the health care and justice systems, and in foregone economic activity.

The impact is far reaching. Our aging population is increasing the need to attract a new generation of skilled labour and business successors. Businesses find themselves needing to look beyond Vancouver Island to infuse their work force with youth, imagination and commitment. At the same time, the 21% of youth living in poverty are unlikely to graduate from high school or receive the training they need for meaningful employment. Instead of becoming the next generation of skilled labourers and business successors contributing to the vibrancy of our economy, they are marginalized, stigmatized, and face multiple challenges leading to a net negative impact on the local economy. Let's be clear, with an Island population of 799,400 according to the 2016 national census, 26% of families (128,000 people) are living in poverty...

For too long, the issue of poverty has been relegated to the silo of social services where it cannot be adequately viewed in context with culture and economy. The implications—troublesome if not addressed or exciting if embraced—are enormous. Are we smart enough to find solutions? Are we daring enough to risk failure? Are we sufficiently visionary to collaborate?

Poverty in our society is systemic and generational. It is no surprise that children impacted by the multi-dimensions of poverty have limited access to basic physical, mental and emotional development necessary to lead healthy, productive lives. These realities are cyclical—preventing generations from leading fulfilling lives and contributing to the vitality of our communities.

It is time to recognize that the children living in poverty are important to our future. They do not want to live in poverty. They would rather participate in our workforce and contribute to society. If we simply accept 21% child poverty as "the way it is," we ignore this utter waste of human resources and we miss a substantial opportunity to develop a new generation of skilled labour—people who already call Vancouver Island "home," while we cast around the globe looking to attract people to our work force.

Business people are taught to secure their local markets before casting further afield for customers. If you can't find consumers for your products and services in your own back yard, how can you expect to appeal to those in your competitors' back yards? Might this also apply to optimizing engagement of homegrown human resources?

For perspective, the 21% of our youth living in poverty—the present and future generations of our home grown human resources—are failing and are unlikely to find their ways to contributing in any substantial way to our regional social and economic prosperity. Instead of living a life of opportunity and potential, these thousands of children—our children—will most likely not find gainful employment, will not become community volunteers, and will not be buying homes or accessing professional services. Further to this socio-economic drain, and the lost opportunity because of the minimal participation of this marginalized group in our economy, businesses struggle to find the skilled employees they need to operate or expand their businesses. We have a mismatch of supply and demand. We need a new generation of contributing employees to support a prosperous economy. A potential solution is in helping our own youth get the supports they need to succeed. The constrained growth of individual businesses resulting from this unfulfilled need for skilled labour has a negative multiplicative effect on our economy. Constrained companies require fewer resources from their suppliers and value-chain partners, productivity is curtailed and rewarding employment opportunities are diminished. It is a vicious cycle.

What will we do? First, we recognize that this is our issue to be turned into an enormous opportunity. Collectively, our Island communities must refuse to accept that 21% child poverty is simply "how things are" or to expect that government social services simply "cover this social deficit." We must understand the issue, own it, and build pathways to address it.

We must invest in local youth. We must develop plans to strengthen engagement with at risk youth and families, invest in supports to help interrupt the cycle, and broaden the support for educational access and success.



Productive transitions to post-secondary education and then to employment will improve their lives, improve our economy, and lessen the socio-economic burden.

The business community needs to be involved regarding our future economic ecosystem by looking at models such as industry clusters, centres of excellence, and shared services to incubate businesses and support their growth. We need to be open to new ideas with potential to create meaningful and productive jobs and businesses. Working together to develop a framework will then open opportunities for the business community to partner with educational institutions to set and drive curricula to better align graduates and trainees with our local work force and career opportunities.

For example, Vancouver Island University is working on a number of key initiatives.

The Canada Learning Bond is a federal program that puts money directly into RESPs for lower income families with no requirement for those families to invest themselves. At last count there are 9,647 eligible children in the mid-Island region who are NOT registered to receive these monies. It is estimated that this represents nearly \$20 million that is NOT coming to help these children access a wide range of post-secondary training opportunities—\$20 million that is NOT coming to Vancouver Island to help train this generation of 9,647 children born and raised in OUR communities...

VIU is the only post-secondary institution in Canada with staff dedicated to going into the community to enlist children in the Canada Learning Bond. Since 2012, this activity has increased uptake from 23% to 32.8%. Still, the Regional District of Nanaimo and Cowichan Valley Regional District alone have 4,500 more children living in low-income circumstances than in 2012. This problem is growing.

VIU is also working on an exciting new initiative with one of the largest foundations in the world investing in Canada, and initially with VIU and Yukon College, to support the first two-year phase of a multi-year project to double the number of Indigenous students attending and completing post-secondary education and moving into work opportunities.

Also, the BC Business Council Champions table is developing a "transitions to work" project for First Nations students. This project supports successful transition from post-secondary education to employment. A similar initiative could be developed regionally.

In all of this, we recognize that a golden opportunity exists for our communities to positively change the socio-economic profile of Vancouver Island. By taking collective responsibility to move our impoverished population to fully participate in our new emerging economy, we will profoundly improve the vitality, sustainability and prosperity of Vancouver Island.

We must actively engage all our resources to address this issue. Our resolve must be absolute and we can't pull back. Although the challenge is substantial, the opportunities are enormous. The immediate and long-term benefits are astounding. The requirement is that we "roll up our sleeves" and take action to address this situation. *Are you up for it?* 

## **COST OF LIVING** AND AFFORDABILITY ousing prices on Vancouver Island rose significantly between 2016 and June 2017. Price increases ranged from 16% in the Capital Region to 21% in the Comox Valley. These year over year increases follow increases of between 10% and 17% in the southern and mid-island regions between 2015 and 2016. The double-digit growth in prices since 2015 is reducing affordability on Vancouver Island. This is of particular concern in the Capital Region where the benchmark price of a single-family home reached \$691,100 in June 2017. According to RBC, between 2016 and 2017, Victoria experienced the second greatest decline in housing affordability in Canada after Toronto.34 There is evidence that the increase in housing prices is in part related to spill-overs from the housing market in the Lower Mainland.35 In 2016, approximately 19% of home buyers on Vancouver Island came from Vancouver.<sup>36</sup> Over 80% were purchasing for their principal residence, and were not first-time buyers, while over 50% were purchasing for retirement.37 <sup>34</sup> RBC Economics. 35 CMHC. "Housing Market Insight. Vancouver CMA." May <sup>36</sup> VIREB. 2016 Buyer Profile. 37 VIREB. 2016 Buyer Profile.

#### Housing—Benchmark Single Family Home Prices\*

IN JUNE 2017 (GROWTH COMPARED TO ONE YEAR AGO)



#### Vancouver Island - \$444,500 (+18%)

Source: Vancouver Island Real Estate Board Monthly Statistical Package June 2017, Victoria Real Estate Board Statistics Package for Media June 2017.

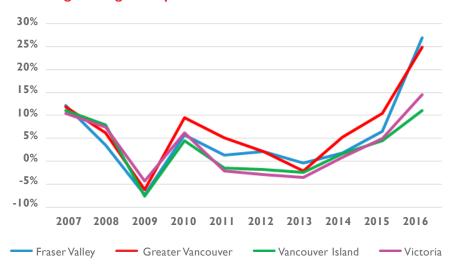
\*The benchmark for single family home is a composite of one-storey homes (where the bedrooms, kitchen and dining rooms are on the same floor and the utility room and laundry room are generally located below ground) and two-storey single family homes (characterized by distribution of bedrooms on the 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 includes: Victoria, Victoria West, Oak Bay, Esquimalt, View Royal, Saanich east, Saanich West, Sooke, Langford, Metchosin, Colwood, Highlands, North Saanich, Sidney, Central Saanich, ML Malahat and Area, Gl Gulf Islands.

## GUEST CONTRIBUTORS Pip White member, 2017 ECONOMIC REPORT COMMITTEE George Hanson PRESIDENT & CEO, VIEA

# Demand Accelerates Housing Benchmark —Perspective

#### Percentage Change Composite Benchmark Price—Real Estate Boards



That house prices in the Lower Mainland and on Vancouver Island have been rising rapidly will not be a surprise to most people who pay even casual attention to the news. What might be of more interest is how much more rapidly prices had been growing on the Mainland 2013-2015 while prices on the Island grew, but at a slower pace. Fuelled by strong demand and a shortage of inventory, prices have been growing at double digit rates since 2015 on the Mainland whereas the Island benchmark reached double digits a year later in 2016 and have accelerated in 2017.

In 2015, the benchmark house price for single family homes on Vancouver Island rose 4.2% to \$335,400. In 2016, the benchmark house price increased 11.0% to 373,200. We thought these numbers would likely cool somewhat in 2017—surprise! In 2017, the Island benchmark rose 18% to \$444,500. What stands out in particular is that while the 11% benchmark increase in 2016 was driven by Victoria (16.8%), Parksville/ Qualicum (16.1%) and Nanaimo (14.8%), in 2017, the 16% benchmark increase in Victoria was out-paced by 18% in Duncan, 19% in Nanaimo, 21% in the Comox Valley, 19% in Campbell River, and an even more surprising 20% in Port Alberni where prices had dropped by 6.3% in 2015 and increased by only 5.9% in 2016 when the island benchmark increase was 11%! The divergence in the pace of growth in the Mainland and Island markets goes back to a brief recovery in 2010 following the global financial crisis. The pace of price decline through the crisis (2008 and 2009) was similar for all four real estate boards. When prices picked up in 2010, Vancouver rose at a faster pace than the other three markets. There was a sharp decline in 2011 and for a few years after the Lower Mainland had a slower rate of decline than the Island and prices contracted on the Island for a couple of years. An upturn in the markets began in 2013 and the Lower Mainland experienced more rapid price growth than the Island creating a widening affordability gap.

42 OCTOBER 2017 www.viea.ca

Since 2007 the composite benchmark house price in Victoria has increased by 46% and in other regions on Vancouver Island by 38%. In the Lower Mainland the benchmark price increased by over 80%.

Economic growth on the Island has attracted job seekers including some with the ability to work remotely. The widening price gap with the Lower Mainland, even with the Island's double digit benchmark increases, has led some people to cash out of Vancouver and move to the Island.

The chart (opposite) shows the growth of the composite benchmark price, made up of condos, townhouses and single family dwellings. Looking at data for individual house types shows a similar pattern for single family homes and townhomes. However, price growth for condos shows a more similar pattern across all four markets. This is perhaps reflective of condos being an entry level housing type on the Lower Mainland and in Victoria and therefore more price sensitive in those markets.

Price growth for seven communities on the Island (Victoria, Cowichan Valley, Nanaimo, Parksville/Qualicum, Comox Valley, Campbell River and Port Alberni) had started to diverge in the last couple of years with Port Alberni and Campbell River growing at a slower pace. Fast forward to 2017 and Port Alberni and Campbell River are setting the pace for percentage increases in benchmark housing prices on the Island.

There are several factors driving the price gains on the Island. Vancouver Island remains one of the most attractive destinations for retirees and the migration data supports this.

The supply of existing homes has been constrained for the past couple of years and with demand remaining vibrant, prices have risen. If these trends are sustained for an extended period of time the real estate price trend on Vancouver Island will likely continue to be up and housing affordability will become an increasing concern.

#### **Living Wages**

FOR SELECTED COMMUNITIES ON VANCOUVER ISLAND

Clayoquot Sound
\$20.112

Comox Valley
\$15.962

Cowichan Valley
\$18.82

Nanaimo
\$17.992

Port Alberni
\$17.225

Qualicum/Parksville
\$16.445

Victoria

Source: Living Wage Canada and Cowichan Valley Living Wage 2016.

#### **Wage Rates**

ON VANCOUVER ISLAND AND COAST

Low
\$ 10.85

Median
\$25.00

High
\$85.00

Source: Government of Canada Job Bank Wage Report. 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.<sup>38</sup>

The living wage on Vancouver Island ranges from \$15.96 in the Comox Valley to \$20.11 in Clayoquot Sound. Comparing the living wage with median wages in selected occupations on Vancouver Island suggests that most workers on Vancouver Island earn above the living wage in their community. However, there is some indication that wages in retail and hospitality occupations are below the living wage. 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 Tourism, Retail Trade and Food Service are more likely to earn below the living wage.

There were no data available on earnings on Vancouver Island to assess wage trends. Based on data for BC, between 2014 and 2016 average weekly earnings in BC rose by approximately 2.5%.<sup>39</sup> Inflation over the period was similar at 2.6%.<sup>40</sup> The strongest earnings growth was in Forestry, Manufacturing, Information and Cultural industries, and Management of Companies and Enterprises. Given the improvements in economic conditions on Vancouver Island between 2014 and 2016, it is likely that earnings rose for those employed in Forestry, Manufacturing and Tourism related occupations on Vancouver Island at rates comparable to those in BC overall.

Employment data suggests that there is a tight labour market on Vancouver Island and this is likely to lead to wage increases in occupations in affected industries.

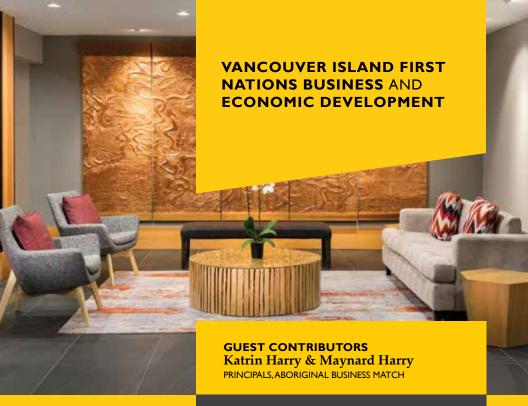
<sup>38</sup> Living Wage Canada, Canadian Living Wage Framework.

 <sup>39</sup> Statistics Canada, CANSIM Table 281-0027 Survey of Employment,
 Payroll and Hours (SEPH), average weekly earnings by type of employee.
 40 Statistics Canada, CANSIM Table 326-0021 Consumer Price Index.

Median Wage Rates
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Source: Government of Canada, Job Bank wage report for Vancouver Island and Coast. Available here: http:// www.jobbank.gc.ca/.



KWA'I II AS' I OBBY

### Strengthening Island Economy through Aboriginal Self-Determination –Perspective

The opening of the Kwa'lilas Hotel in mid-May was a day that resonated throughout the North Island. It marked a celebratory step back to tradition, healing and community strength for the members of Gwa'sala-'Nakwaxda'xw and a chance for the greater community to acknowledge the longstanding history of the peoples that came before the establishment of Port Hardy.

But weeks prior to its grand unveiling of the first Aboriginal-owned hotel on the North Island, staff prepared for a quieter curtain-raiser for a private group of decision-makers.

The 120 delegates attending the Aboriginal Business Match (ABM) Vancouver Island at the Port Hardy Civic Centre, became the hotel's first guests and served as the final rehearsal before Kwa'lilas' "opening night."

"Frankly, we overstaffed to compensate for any training challenges we would

face and assured staff it was a soft opening," says Scott Roberts, Vice President of the Aboriginal Travel Services and strategicadvisor behind many Gwa'sala-'Nakwaxda'xw projects through their economic development arm. "Guests were comforted by the number of people we actually hired from the community and the feedback we received was that people were generally impressed."

A year ago, Roberts attended ABM, an event connecting Aboriginal and non-Aboriginal decision makers to create opportunities for business. There he struck a deal with 1 Nation Distribution and its sister company Spirit Bear Coffee to provide fresh linen and the complimentary coffee featured in every room of the Kwa'lilas. The fact that the first guests were anticipating the same event that ignited the hotel's Aboriginal-driven partnerships is what Roberts calls "coming back full circle."

#### **Bringing Business "On-Island"**

Contrary to the perception that Nation-to-Nation partnerships are easily made, Senior Vice President of Business Development at 1 Nation Distribution, Paul Biglin, says it's a bit more complex.

"After 10 years of doing what we do, we've learned that it's incredibly important to foster relationships," he explains. "You can't assume that everything's okay just because you're a First Nations company dealing with another First Nations company. It's like anything else. You still have to have business respect."

Although the sister companies are based in Port Coquitlam, Biglin attributes 40% of the customer base on the North Island, including the Kwa'lilas Hotel. "At the end of the day we want our partnerships to drive economic benefit to the area whether that was through our guests eating out at restaurants or creating employment in the Nation," stresses Roberts. As guests exited the Kwa'lilas to attend ABM Vancouver Island, Roberts joined them and signed yet another deal that advanced the continued success for the Kwa'lilas. Roberts announced that Pacific Coastal, a charter and cargo airline servicing British Columbia, would become the air component to a fall tour package that would attract visitors to the North Island during low season.

"The biggest impact comes from the organic talk that's taking place on Trip Advisor and social media," says Roberts. "What's interesting is being able to having those same kinds of conversations at ABM and seeing interest come from in and outside the North Island."

#### The Off-Island Effect

For Ucluelet First Nation, business opportunities are not just a matter of North Island economic development but also strengthening of Nation-to-Nation partnerships and the community's self-governance.

Executive Member of the Legislature, Richard Mundy, attended ABM Vancouver Island with this goal in mind and by the end, the event had completed this vision with a range of new partnerships: from full-time employment at Pacific Rim National Park with Hazelwood Construction, home financing options through First Nation Market Housing Fund, strategic communications for the Nation with international agency FleishmanHillard, and external audits with MNP and KPMG for their Nation and economic development corporation respectively to create credibility and transparency with their citizens.

But when Mundy sat in the lobby of the Kwa'lilas at the end of the  $2\frac{1}{2}$  day experience, something was still nagging at him.

"Our Nation is experiencing the growing pains that come with transitioning from a band to a modern treaty governance," reveals Mundy. "Unfortunately, the Indian Act is so ingrained. It's not as simple as signing a document to become a healthy self-governing Nation. It takes time and requires trust-building with our citizens."

Mundy realized that while his position was unique, there were other Nations on their way to establishing Treaty with members who would soon find themselves in the same situation.

"Different Nations have different capacities," he explains. "After years of third-party governance, we were all suddenly thrusted into being a Treaty Nation with no how-to guide book. Then I realized: 'why don't we make one?'"

"Different Nations have different capacities. After years of third-party governance, we were all suddenly thrusted into being a Treaty Nation with no how-to guide book. Then I realized: 'why don't we make one?'"

Richard Mundy
MEMBER OF THE
LEGISLATURE / EXECUTIVE
UCLUELET FIRST
NATION

48 OCTOBER 2017



Together with Indigenous Community for Leadership & Development (ICLD), Ucluelet First Nation sparked a training program for strategic planning in governance that other Nations could access.

"The modules are the same for each program but we customize it to fit the geographics and demographics of the community we're working with," explains CEO, Mandi Sellers about the ABM-made partnership. Facilitating Nation-to-Nation connection and creating customized solutions is ICLD's biggest mandate, but Sellers says this is the first time the company is offering a package that creates a "holistic picture" of the shared experiences of communities.

"Economic development is one thing, but experiencing personal growth is another," she explains. "Community members seeing another community having success or dealing with difficulty is huge. It's building the confidence that they are not confined to the reserve, they can get information from different people."

Mundy's idea for other Nations to use each other as case studies and as sounding boards for solving problems is one that's impacting beyond the North Island. ICLD says although they're still developing

Ucluelet's "road map," the training program for strategic planning in governance is ready for any Nation across Canada to access.

An Evolving Economy, "Aboriginal Entrepreneurs" is identified as one of Canada's fastest-growing demographics. As it gains momentum,

more opportunities are arising that could have fascinating impacts on the Island.

Mundy says this timing gives Nations an opportunity to set precedent in new and upcoming markets.

"As I was sitting at ABM and explaining very honestly where our Nation was at, I realized how receptive and collaborative companies were," he recalls. "It said to me that we're in a new era of business. One where we're able to share our challenges and build new relationships."

He further emphasizes that the business done on the Island doesn't live in a silo anymore and that the conversations, business deals and ideas created are automatically put on a world stage through this globalized market.

Biglin touches on the borderless nature of business as one of the benefits of working with Aboriginal businesses. "We deal with Nations across Canada," he says. "From our perspective, we're always the local guys."

All signs are pointing to Aboriginal and non-Aboriginal partnerships becoming the next up and coming wave of business. Where this is promised as a potential future, it would seem that the Island is already making it a norm. "We all have every chance to build an extremely unique business reputation," says Mundy.

ABM Vancouver Island has been co-hosted by the Vancouver Island Economic Alliance in 2016 and 2017. The 2018 ABM will be again in Port Hardy, March 26-28, 2018.

50 OCTOBER 2017 www.viea.ca

#### In Closing...

We are grateful to MNP for their sponsorship and to Nanaimo Airport, Coastal Community Credit Union, BC Hydro, BC Ferries, and the Ministry of Jobs, Trade and Technology for their financial support.

Producing a publication of this kind is an expensive endeavour and having compared it to other industry reports we have determined a market value of \$250. Summit delegates will continue to receive a hard copy included with their Summit registration and VIEA members will have free online access as a benefit of membership. However, in order to increase the long-term sustainability of the project and to continue to improve the quality of the report, beginning with the 2018 edition, a fee of \$195/copy will be put in place.

We are indebted to the Report Committee led by Giles Newman of BDO and to all VIEA board members for their ongoing commitment to this valuable project. We hope you will find this report valuable and we encourage you to share the information presented here 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.

Through this publication we endeavour to deliver a balanced 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. Now that we have produced three annual reports, (available on our website) the data can be compared year to year to show trends. Our constant commitment—with the professional guidance of MNP—continues to be sourcing reliable information for this purpose. Since its inception, VIEA has welcomed the views of all those with an interest in the health of the Vancouver Island economy, so if you notice that an important industry is missing and you know of repeatable sources for information, we would welcome your input. 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.

During our annual Economic Summit our sessions facilitate consideration of matters important to the vitality and sustainability of our economy and we 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 this 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 Economic Report is a solid knowledge base from which we can meet the challenges and seize the opportunities that lie ahead.

- Darrell Paysen CHAIR, VIEA







Ministry of Jobs, Tourism and Skills Training





to the generosity of our supporters and the expertise of researchers and staff at MNP, VIEA is proud to present the 3rd 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 2018 State of the Island Economic Summit...

> OCT 24-25 2018

you would like to explore opportunties 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.







