



STATE OF THE ISLAND ECONOMIC

REPORT 2018

VANCOUVER ISLAND
ECONOMIC ALLIANCE



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CREATIVE**

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ON BEHALF OF VIEA'S ECONOMIC REPORT COMMITTEE AND ALL THOSE INVOLVED IN ITS PRODUCTION, WE ARE PROUD TO PRESENT OUR FOURTH ANNUAL STATE OF THE ISLAND ECONOMIC REPORT.

Now that we have produced four of these reports, trends can be observed that give indication of the direction of the economy as well as the state of the Island economy. And while our team does its very best to gather reliable, repeatable data so that we can be confident in accuracy of our reporting, we know that some aspects of our economy, such as the technology sector, are not presently measured with consistency and cannot, therefore, be reported with statistical accuracy.

Here are a few preliminary observations:

After a long slow climb out of the global recession in 2008, Vancouver Island, like much of the rest of the world, is in the fifth year of an economic expansion that is the result of improvements in the global economy and population growth. The data from 2017 shown in this report generally reflects this trend. Looking forward, it is uncertain how unresolved and escalating trade battles initiated by the United States, combined with rising interest rates world-wide, will be reflected in the Island economy. And while the outlook for some sectors such as tourism remains strong, some major sectors such as aquaculture and forestry are experiencing difficulties which suggest continuing uncertainty in the near term.

One of the biggest challenges going forward will be labour – there are significant skill shortages and no indication of any relief in sight on this. Economic conditions in the rest of Canada have improved. Thus, there are fewer people coming to BC in search of employment. This further demonstrates the importance of improving access to skills training and degree programs for youth living



**Cathy Robertson,
Community Futures-
Cowichan at the State
of the Island Economic
Summit. October 2017,
Nanaimo BC**

in poverty and for more productive connections between university co-op and intern students and business. Many post-secondary students still believe that there are no opportunities on Vancouver Island.

Labour participation rates have increased three years in a row. While this report is only in its fourth annual edition, it was common knowledge that the labour participation rate was the lowest in the province and steadily declining for at least a decade. In 2015, the first year of our reporting, the Island's Labour Force Participation Rate was dead last in BC at 57.7% compared to the provincial average of 63.3%. And between 2010 and 2014, the number of people in the labour force on Vancouver Island had declined by 7%. Since 2015, while still last amongst the seven provincial regions at 60.8%, the Island is alone as the only region to see growth three years in a row. Also, the Island's unemployment rate of 5.3%, up from 5.0% in 2017, remains the lowest in the province outside the lower mainland (4.6%).

Property values continue to rise but driven to differing degrees by region. In 2015 the benchmark housing price on Vancouver Island was up 4.2% at \$335,400 with Duncan leading at 6.4%. In 2016 it was up 11% at \$373,200 with Victoria leading at 16.8%. In 2017 it was up 18% at \$444,500 with Comox Valley leading at 21%. And this year it is up 15% at \$510,300 with Campbell River and Port Alberni leading at 22%. Population growth was at 1% in 2016, 1.3% in 2017 and 1.3% again in 2018—slightly higher than in the lower mainland. Also noteworthy is that after three straight years of population decline in the Mount Waddington region, the population seems to have stabilized in 2018. At the same time, there are signs that the residential market may be starting to soften due to new mortgage rules, tax policies, and the fact that population growth may be slowing.

Also, outcomes related to several major developments on and off the Island are likely to have significant impact in the medium to long term. Two of these, Island Good and FTZVI, both VIEA initiatives, designed to positively affect prospects for increased production of goods, are profiled in editorials in this report. Others, such as the Trans Mountain pipeline, federal investment in marine response infrastructure, cannabis legalization, the new US, Mexico, Canada trade deal, and a looming federal election, to name a few, are bound to impact the Island economy. Finally, we've added value to the Economic Report. Along with purchase of the current edition of the Economic Report, the 'data behind the data' is now available at viea.ca. Summit delegates will have coded access to download this data for two weeks following the Economic Summit; VIEA members will have coded access with three opportunities to download the information; and anyone purchasing the report will be given coded access to download.

We are confident that you will find the contents of this report to be of value.

The 2018 State of the Island Economic Report Committee
Joe Cristiano, Coastal Community Credit Union
George Hanson, VIEA
Susan Mowbray, MNP
Peter van Dongen, MNP
Po Wan, Blackberry Creative
Pip White, Island Timberlands

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 LLP

Canadian and global economic growth remained strong in 2017. The Canadian economy grew at 3.0%¹ as economic activity became more broad-based and regional differences began to narrow. This resulted in capacity pressures and labour shortages in some regions, and led the Bank of Canada to increase its key policy rate twice.

For the third consecutive year BC was among the leaders in economic growth in Canada. BC's strong performance was the result of continued growth in exports, increases in household spending and construction activity.

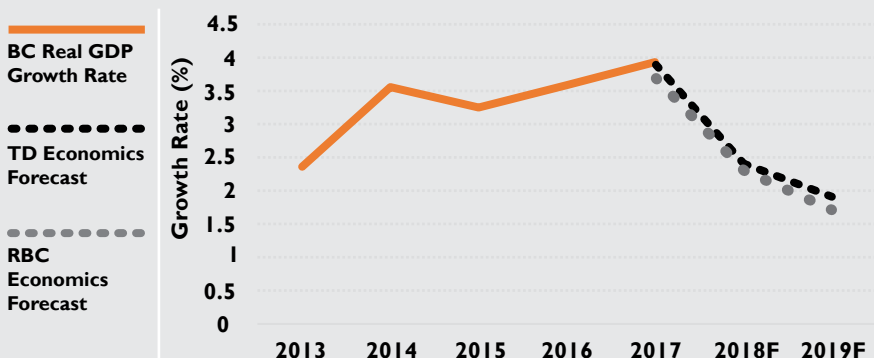
On Vancouver Island, continued population growth and strong demand for housing contributed to solid growth across the region. Growth in employment has created increasingly tight labour market conditions and there are indications that wages are beginning to rise.



**Josie Osborne—Mayor,
District of Tofino at
the State of the Island
Economic Summit.
October 2017,
Nanaimo BC**

¹ Statistics Canada, Table 36-10-0129-01 Gross national income and gross domestic income, indexes and related statistics, annual.

BC Real GDP Growth Rate



Source: Statistics Canada, Table 36-10-0402-01 GDP at basic prices, by industry, provinces and territories; TD Economics, Provincial Economic Forecast (June 2018); RBC Economic Research, Provincial Outlook (June 2018).

Economic growth is expected to moderate as interprovincial migration slows, the housing market cools and tight labour market conditions limit the ability of businesses to expand.

GDP Global economic growth remained steady in first half of 2018 and is expected to remain strong through 2019. However, there is considerable uncertainty due to the escalation of trade tensions between the US and its trading partners.

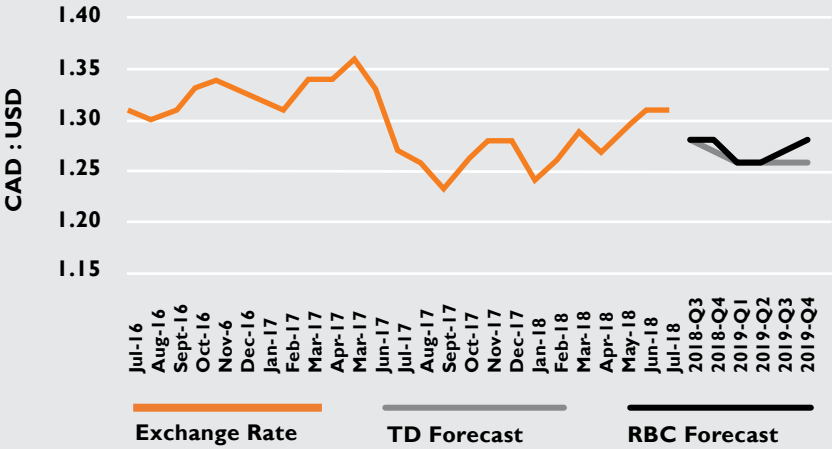
The Canadian economy has been operating at or near capacity and is expected to continue to do so in the near term. Exports and business investment in increased capacity are rising, while consumer spending and investment in residential construction are slowing due to tighter mortgage rules and higher interest rates.² Those factors, combined with US tariffs on Canadian steel and aluminum, and continued uncertainties around trade policies are expected to lead to a gradual slowing of growth in Canada.

BC's economic growth is expected to moderate as the housing market slows and tight labour market conditions limit employment growth. There is also uncertainty about the future of investments in oil and gas developments as a result of the decision by the Federal Court of Appeal on August 30, 2018 that halted expansion of the Trans Mountain pipeline.

On Vancouver Island economic growth is expected to continue, albeit at a slower pace than in recent years. Key factors in moderating growth are an expected slowdown in migration from other regions, slowing of residential construction activity and tight labour market conditions. There is also some indication that

² Bank of Canada, "Monetary Policy Report", July 2018. Available here: <https://www.bankofcanada.ca/wp-content/uploads/2018/07/monr-2018-07-11.pdf>

Exchange Rate



Source: Bank of Canada, TD Economics, RBC Economics

The uncertainty around the Canadian dollar is not expected to significantly impact Vancouver Island export sectors such as forestry and aquaculture, as demand remains strong.

forestry production and employment is being affected by reductions in timber supply.

After increasing in value at the end of 2017, the Canadian dollar declined in value relative to the US dollar in the first half of 2018. As of September 2018, the Canadian dollar was trading at around \$1.31 Canadian per US dollar (\$0.76 US per Canadian dollar). Relative to the Great British Pound and the Euro, the Canadian dollar has declined in value since the third quarter of 2017, while relative to the Chinese Yuan the value of the Canadian dollar has been relatively stable.³

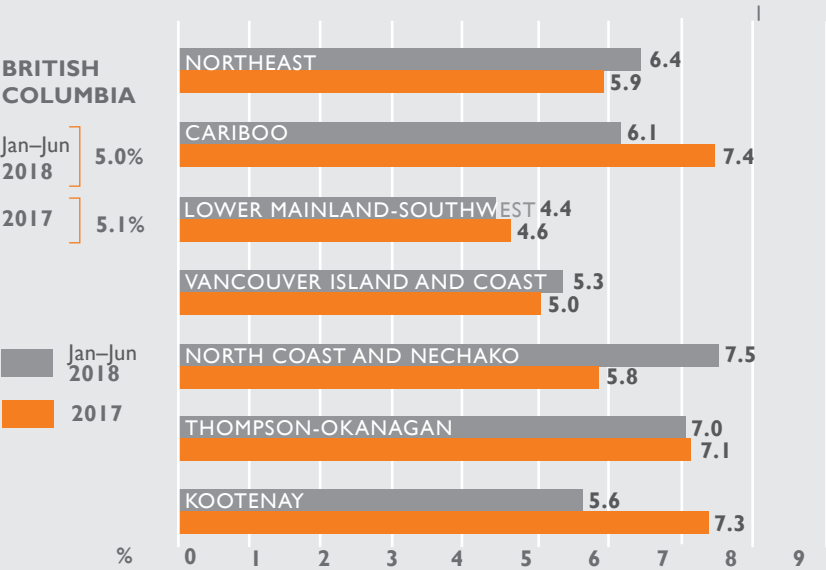
The Canadian dollar is expected to trade in the range of \$1.26 Canadian per US dollar (\$0.79 US per Canadian dollar) to \$1.28 Canadian per US dollar (\$0.78 US per Canadian dollar) through 2019.⁴ There are a number of factors creating uncertainty in the outlook for the Canadian dollar including the outcome of NAFTA talks and the potential for further protectionist moves by the US against its trading partners.

In addition, Canada's inflation rate was higher than expected in July, suggesting that inflationary pressures are starting to build. Continued inflationary pressures could lead the Bank of Canada to increase its key lending rate before the end of 2018. Such changes would be expected to put upward pressure on the value of Canadian dollar.

³ Bank of Canada. "Monthly Exchange Rates". Available here: <https://www.bankofcanada.ca/rates/exchange/monthly-exchange-rates/>

⁴ TD Economics, Exchange Rate Forecast May 2018 and RBC Economics and Research, Exchange Rate Forecast June 2018.

Unemployment Rate
BY REGION 2017 AND 2018



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

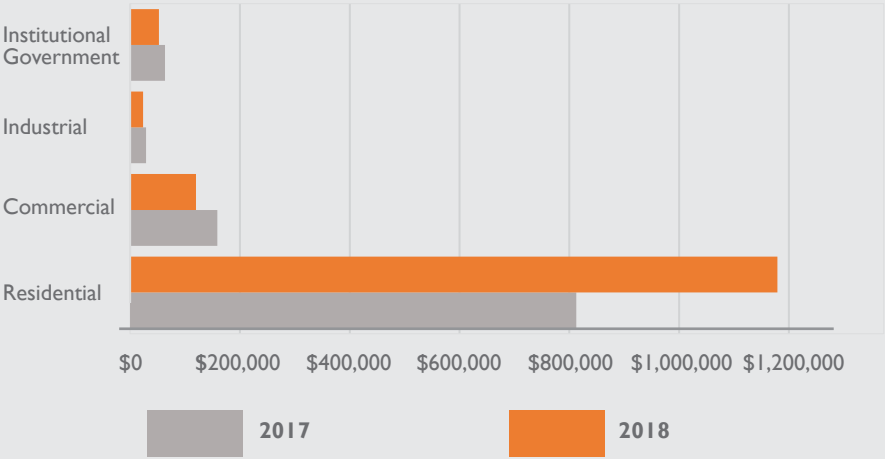
The unemployment rate

on Vancouver Island declined to 5.0% in 2017 and has remained relatively stable through the first half of 2018. While unemployment rates have remained relatively stable, employment levels and participation rates have continued to increase, suggesting that people are being drawn back into the labour force and labour market conditions are tightening.

Migration patterns suggest that there are fewer people moving to Vancouver Island from other regions in Canada, as overall economic conditions have improved. Consequently, tight labour markets conditions are expected to continue in the near term and there are not anticipated to be significant changes in unemployment rates on Vancouver Island.

Building Permit Values

JANUARY TO JUNE (IN \$000s)



Source: Statistics Canada, produced by BC Stats.

Housing Starts

YEAR-OVER-YEAR
JANUARY TO JUNE



Source: CMHC, Starts and Completions Survey.

The value of building permits

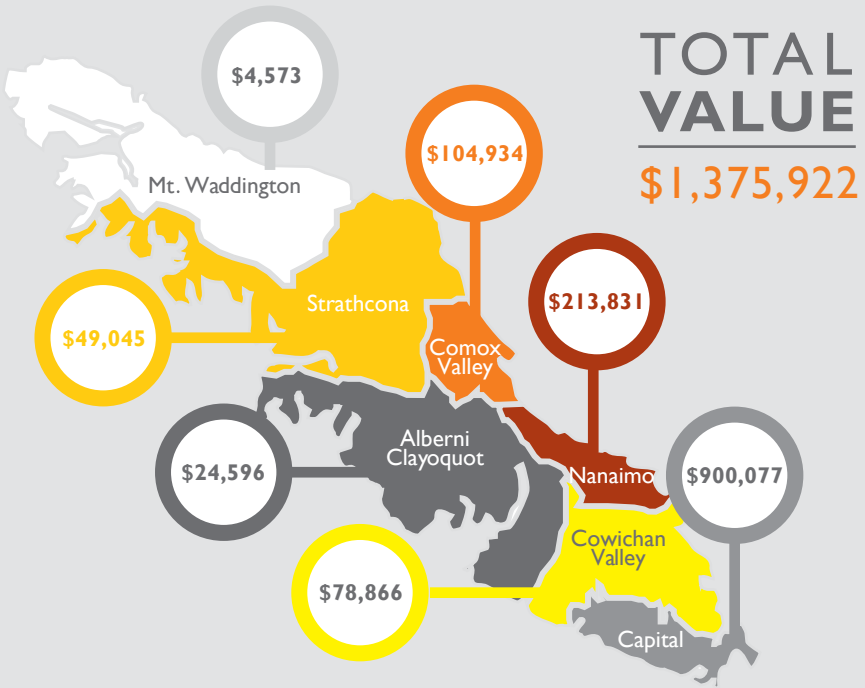
on Vancouver Island continues to grow year-over-year. In the first six months of 2018 residential building permits increased by approximately 45% compared with the same period in 2017. The strongest growth was in the Capital, Comox Valley, Mount Waddington and Strathcona regions. Non-residential building permit values declined in the first six months of 2018, compared to the same period in 2017. Declines were concentrated in the Capital Region and Nanaimo, while in other regions values grew.

Building permits indicate construction intentions, while housing starts indicate construction activity. In the first six months of 2018, the number of housing starts increased significantly year-over-year on Vancouver Island. The increase was largely driven by significant increases in the Capital Region and to a lesser extent by increases in Campbell River, Courtenay and Duncan. Outside these areas, housing starts were down year-over-year.

While the overall outlook remains positive, construction activity on Vancouver Island is expected to slow as higher interest rates and new mortgage rules begin to cool the housing market.

Building Permits by Regional District

JANUARY TO JUNE 2018 (IN 000s)



Source: Statistics Canada, produced by BC Stats.

Infrastructure investments

on Vancouver Island are being made in power generation, transportation infrastructure, utilities and education. The major projects under construction include:

MARINE OIL SPILL RESPONSE PROJECT

The Western Canada Marine Response Corporation (WCMRC) is developing an on-water oil spill response base in Nanaimo. The base will be home to 35 full-time response staff and 15 response vessels.⁵ As of July 31, the WCMRC and the Port of Nanaimo signed a 25-year lease for approximately 130,000 square-feet of land for the base in Nanaimo Harbour. Project funding is tied to the expansion of the Trans Mountain pipeline, and in September the project was paused following the Federal Court of Appeal ruling that halted construction of the pipeline.⁶

⁵ Nanaimo News Bulletin. "Nanaimo oil spill response station back on track." Available here: <https://www.nanaimobulletin.com/news/nanaimo-oil-spill-response-station-back-on-track/>

⁶ CBC News. "\$150M spill response boost for BC coast on hold after Trans Mountain ruling." Available here: <https://www.cbc.ca/news/canada/british-columbia/spill-response-on-hold-trans-mountain-1.4812327>

Major Infrastructure Projects

VALUE OF INVESTMENT
IN \$MILLIONS

UTILITIES



WASTEWATER TREATMENT PROJECT – CAPITAL REGIONAL DISTRICT

Currently, wastewater in the Capital Region is untreated before it is discharged into the Strait of Juan de Fuca. To meet provincial and federal regulations for wastewater treatment, the existing pump stations are being connected to a new treatment plant.⁷ The project will provide tertiary wastewater treatment for Victoria, Esquimalt, Saanich, Oak Bay, View Royal, Langford, Colwood, and the Esquimalt and Songhees Nations.^{8,9} Completion is expected by 2020.

TRANSPORTATION



MCKENZIE INTERCHANGE PROJECT

The McKenzie Interchange Project includes an upgrade to the interchange of the Trans Canada Highway with Admirals Road and McKenzie Avenue in Saanich. The project is intended to ease congestion on the biggest traffic bottleneck in BC outside of the Lower Mainland, as well as improve safety and reliability for drivers, transit users, pedestrians and cyclists.¹⁰ Construction is underway and expected to be completed in the summer of 2019.

HEALTHCARE



The major projects scheduled for completion in 2018 include:

JOHN HART GENERATING STATION (STRATHCONA REGION)

As of August 2018, all three generators are on track for commercial operation by October 2018.¹¹

EDUCATIONAL INSTITUTIONS



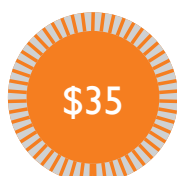
JOHNSON STREET BRIDGE REPLACEMENT (CAPITAL REGION)

The Johnson Street Bridge Replacement project was completed on March 31, 2018.

GEORGES P. VANIER SECONDARY SCHOOL – SEISMIC UPGRADES AND PARTIAL REPLACEMENT

Georges P. Vanier Secondary School in Courtenay is undergoing a seismic upgrade and partial replacement. Construction is expected to be completed in the fall of 2018.

AFFORDABLE HOUSING



Source: British Columbia Major Projects Inventory, Q1 2018.

⁷ Capital Regional District. "Wastewater Treatment Project". Available here: <https://www.crd.bc.ca/project/wastewater-treatment-project>

⁸ Ibid.

⁹ Capital Regional District. "Current Construction Activities". Available here: <https://www.crd.bc.ca/project/wastewater-treatment-project/current-construction-activities>

¹⁰ Government of BC. "McKenzie Interchange – About the Project". Available here: <https://engage.gov.bc.ca/mckenzieinterchange/about/>

¹¹ BC Hydro. <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/projects/john-hart/john-hart-construction-report-aug-2018.pdf>



BUSINESS ENVIRONMENT AND INVESTMENT ATTRACTION

The overall strength of Vancouver Island's economy is reflected in the continued growth in the number of businesses. In 2017, the number of businesses in the Construction sector grew significantly, which is consistent with the strength of the housing market and increases in building permit values and housing starts.

There has also been growth in the number of businesses in Information and Cultural Industries. This is likely related to the expansion of the film industry on Vancouver Island and the opening of Vancouver Island Studios in 2017.

While the scale of businesses remains small, there has been modest growth in the number of businesses with more than 20 employees in key sectors related to Tourism and Construction.

Business formations increased in 2017 and remain above their three-year average in all regions. Business and consumer bankruptcies both declined in 2017 on Vancouver Island, and remain below their three-year average.

These trends indicate that the outlook on Vancouver Island remains positive through 2018. However, the expected slowdown in the housing market and lower levels of migration suggest that the rate of business formation is likely to decline going forward. Similarly, tight labour market conditions are expected to limit the ability of existing businesses to expand significantly in the near term.

**Tamara Leigh, EIO
Diagnostics at the
State of the Island
Economic Summit,
October 2017,
Nanaimo BC**

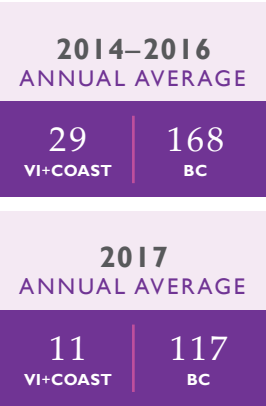
Number of Businesses with Employees

Category		With Employees	Trend
GOODS-PRODUCING SECTOR			
Agriculture, Forestry, Fishing, Hunting		1,211	
Construction		3,843	
Manufacturing		1,000	
Mining and Oil and Gas Extraction		74	
Utilities		35	
SERVICE-PRODUCING SECTOR			
Accommodation and Food Services		2,153	
Admin. and Support, Waste Management and Remediation		1,310	
Arts, Entertainment and Recreation		535	
Educational Services		400	
Finance and Insurance		1,011	
Health Care and Social Assistance		3,398	
Information and Cultural Industries		343	
Management of Companies and Enterprises		121	
Other Services (Excluding Public Administration)		2,310	
Professional, Scientific and Technical Services		3,424	
Public Administration		372	
Real Estate and Rental and Leasing		1,369	
Retail Trade		3,707	
Transportation and Warehousing		926	
Wholesale Trade		887	
<div> <div>Growing </div> <div>Stable </div> <div>Declining </div> </div>			

Source: Statistics Canada, Business Register, Establishment Counts December 2017.

Insolvency

Business Bankruptcies

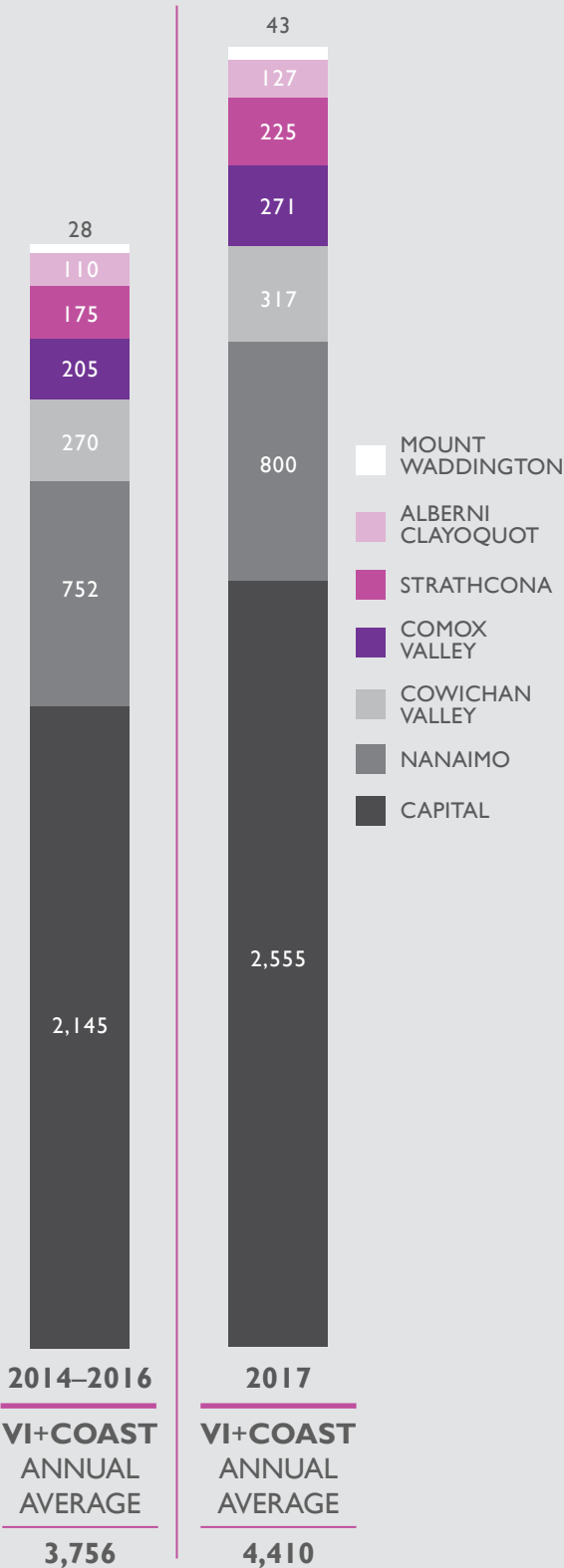


Consumer Bankruptcies



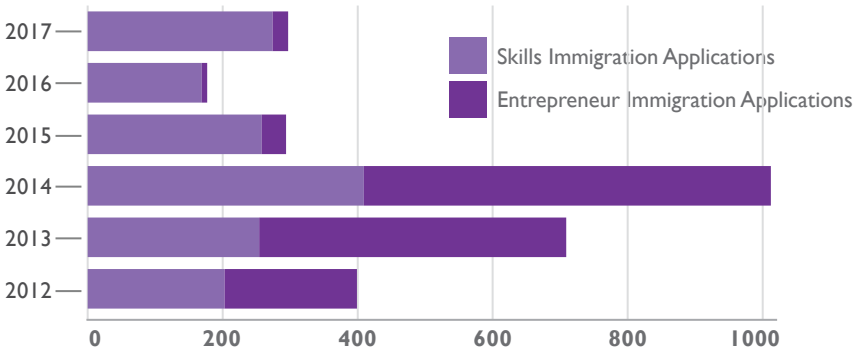
Source: Office of the Superintendent of Bankruptcy Canada.

Business Formations INCORPORATIONS BY REGIONAL DISTRICT



Source: BC Stats, Business Formations and Failures.

Applications to the Provincial Nominee Program



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.

Skills
Immigration
2012–2017

1,201

NOMINATIONS

Source: BC Ministry of Jobs,
Trade and Technology

Entrepreneur
Immigration
2012–2017

288

WORK PERMITS

147

NOMINATIONS

262

JOBS CREATED

\$135

MILLION
INVESTMENT

Source: BC Ministry of Jobs,
Trade and Technology

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 gradually increasing. Between 2012 and 2017, there were 1,567 applicants for skills immigration, of which approximately 76% received nominations for permanent residency.

Nominees under the Entrepreneur Immigration stream are required to meet a specified financial investment amount, and demonstrate the ability to create job opportunities. Between 2012 and 2014, applications to the program increased. Since 2014 applications have declined significantly. Of the 1,321 applicants between 2012 and 2017, approximately 22% received work permits and 11% received nominations.



What's the Point?

VIEA ACHIEVES **FOREIGN TRADE ZONE POINT**

DESIGNATION FOR VANCOUVER ISLAND

by George Hanson—President & CEO, VIEA



Nanaimo Airport
NANAIMO BC

The Government of Canada has granted Foreign Trade Zone Point designation (FTZVI) to the Vancouver Island Economic Alliance (VIEA).

An FTZ Point is one of Canada's strategic locations for international trade where an organization with a mandate to promote local trade and foreign direct investment is uniquely supported by a single point of access to information on relevant government policies and programs.

WHO

FTZVI will serve import/export interests of Island businesses and transportation providers with all the advantages afforded FTZ Points by the Government of Canada.

WHAT

FTZ Point designation enables aggressive marketing of the Island region to attract international trade activity and expansion of Vancouver Island production of goods for export. FTZVI will also be able to provide streamlined access to government programs to improve trade.

WHERE

FTZVI will serve all of Vancouver Island wherever opportunity exists to expand international trade and attracting foreign investment. These opportunities are likely to be concentrated wherever industrial land and transportation infrastructure is strong. The FTZVI office will be centrally located for easy access.

WHEN

FTZVI will be up and running in 2018. VIEA began its efforts to support advanced manufacturing and develop a comprehensive plan for intermodal transportation in 2014. The FTZVI application was submitted in June 2017.

WHY

With significant inventory of under-utilized industrial land, transportation infrastructure to handle 10 times the current volume of goods, and a global reputation for our enviable lifestyle, Vancouver Island is poised to play a larger role as part of the Asia-Pacific Gateway. Easy access to tax and duty deferral programs will improve the scope of import/export opportunities on the Island and improve cash flow and competitiveness for companies importing and exporting.

HOW

With substantial industry and transportation stakeholder partnerships with industry and transportation, FTZVI will function as the 'go to' resource to promote and facilitate international trade on Vancouver Island. FTZVI is unique amongst the eleven FTZ Points across Canada. It is the only broad regional designation and the only designation

awarded to a non-government organization. FTZVI is also the only FTZ Point west of Quebec with direct access to ocean transport.



VIA Rail Station
PORT ALBERNI BC

THE BENEFITS

An FTZ Task Force with representatives from Western Economic Diversification, Global

Affairs Canada, Canada Border Services Agency, Canada Revenue Agency, Transport Canada, and BC Ministries of Transportation and Infrastructure and Jobs, Trade and Technology will be coordinated by FTZVI to problem solve and to facilitate easy access to a suite of programs that make up the FTZ advantage:

DUTY RELIEF PROGRAM

Relieves the payment of duties on imported goods that will eventually be exported either in the same condition or after being consumed, expended or used in processing other goods. This can have significant cash flow benefits for Island manufacturers.



DUTY DRAWBACK PROGRAM

Refund of customs duties paid for imported goods that will eventually be exported or used in manufacturing and then exported. This benefits businesses that have already paid duties and wish a refund.

CUSTOMS BONDED WAREHOUSES

Companies participating in the Customs Bonded Warehouse Program qualify for complete deferral of duty and taxes. When goods exit the warehouse, taxes are applicable. If goods are re-exported, there are no duties or taxes. The definition of a 'warehouse' is quite broad. It can be part of your office building, a stand-alone facility, or even a hotel conference room, and can be located anywhere within the FTZ Point - e.g. anywhere on Vancouver Island!

EXPORT DISTRIBUTION CENTRE PROGRAM

Provides relief of cash flow cost incurred by export businesses that add limited value when processing or distributing goods such as relabeling, repackaging, assembling or disassembling, inspecting, cleaning, etc. This especially benefits companies, for instance, that are importing goods and/or acquiring goods in Canada without paying GST/HST as long as the goods are later exported.

EXPORTER OF PROCESSING SERVICES PROGRAM

Qualifies companies to import goods belonging to non-residents without paying GST/HST as long as these goods are imported for processing, distribution or storage and are subsequently exported.

VIEA is a non-government, registered non-profit society with a singular mandate to help ensure a vital and sustainable economy for all of Vancouver Island including the Gulf Islands.

FTZVI is the result of several years of work by VIEA to help raise the profile of Vancouver Island as a preferred location for producing goods for export and as a recognized destination for Foreign Direct Investment. FTZ Point designation is just the beginning of a pivotal time during which Vancouver Island will assume its role as a prominent component in Canada's Asia Pacific Gateway.



Inner Harbour, VICTORIA BC



Victoria Conference
Centre VICTORIA BC

THE FIRST TANGIBLE ACTION OF FTZVI

is the Foreign Direct Investment initiative already underway to develop a portfolio of vetted Island-based business cases to be marketed internationally. And, VIEA is announcing the first annual VIEA Business Match to be held at the Victoria Conference Centre, March 11-13, 2019. The VIEA Business Match is a partnership between the Vancouver Island Economic Alliance and Raven Events and a direct result of VIEA co-hosting the Aboriginal Business Match on Vancouver Island since 2015. The VIEA Business Match event is driven by a cutting-edge technology platform built on Vancouver Island and designed to match the needs of one company with the attributes of another. Business Match will be a marketplace for Vancouver Island business-to-business partnerships and in the context of the new Foreign Trade Zone Point, will grow to become an international marketplace for investment and business development on Vancouver Island.



POPULATION AND LABOUR FORCE

Population growth continues to be an important factor in the growth of Vancouver Island's economy. Between 2016 and 2017, the population growth rate was approximately 1.3%.² This was comparable to BC as a whole, and slightly higher than the growth rate in the Lower Mainland.

The majority of people moving to Vancouver Island continue to settle in the southeast between the Capital and Nanaimo regions. However, growth rates in these areas are lower than in 2016 and migration patterns suggest that there are fewer people moving to BC from other parts of Canada. Consequently, population growth is expected to moderate.

There is also some indication that population levels in Mount Waddington have begun to stabilize after 10 years of decline.

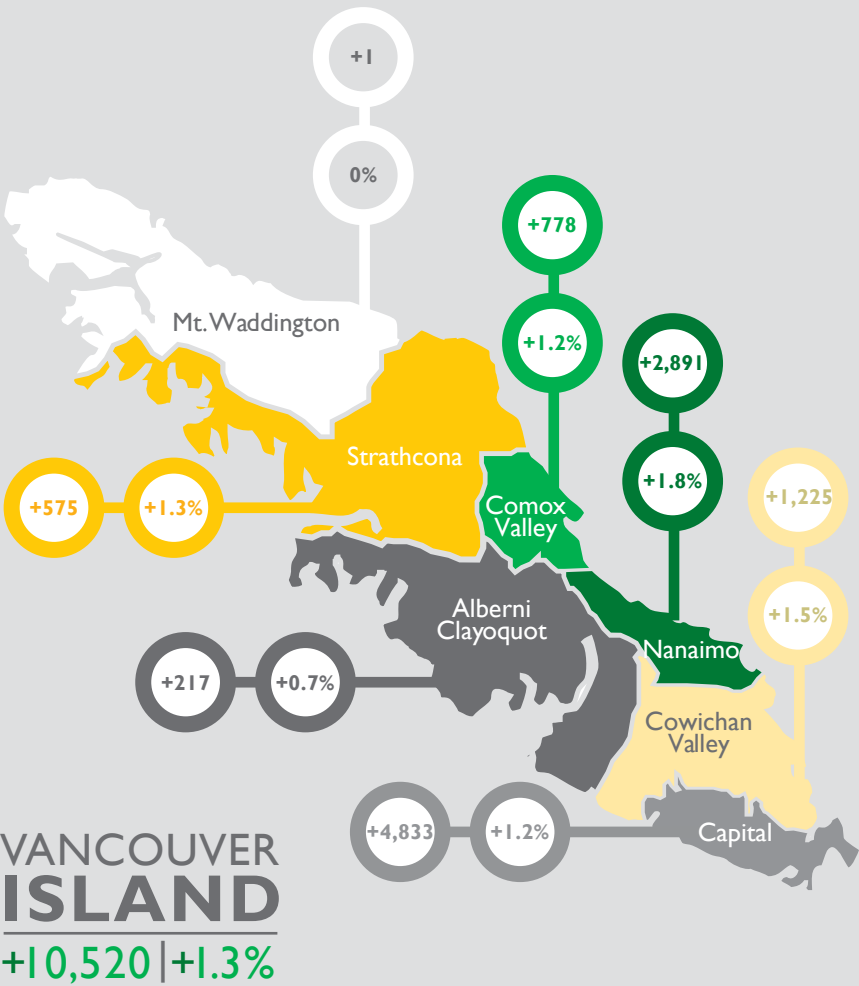
Growth in the working age population continued in 2017 and was accompanied by growth in the number of people under 14. This is likely a reflection of the strong economic conditions on Vancouver Island and the affordability of housing relative to the Lower Mainland. Despite those increases, Vancouver Island's population continues to age.

¹² BC Stats, Population Estimates by Regional Districts and Development Regions.

Delegates at the
State of the Island
Economic Summit.
October 2017,
Nanaimo BC

Population

Population Growth by Region – 2016 TO 2017



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

Population Distribution
VANCOUVER ISLAND AND COAST BY AGE GROUP

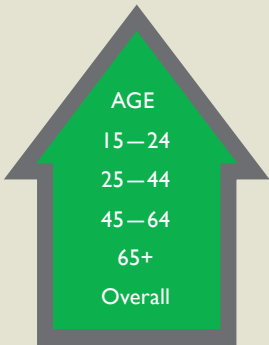
2007	<15 yrs (14%)	Working Age Population 15-64 yrs (68%)	65+ (18%)
2012	<15 yrs (14%)	Working Age Population 15-64 yrs (66%)	65+ (20%)
2017	<15 yrs (13%)	Working Age Population 15-64 yrs (64%)	65+ (23%)

Source: BC Stats, Population by Age and Sex.

Labour & Employment

Labour Force Participation Rate Trends

OVERALL BY AGE 2015–2017



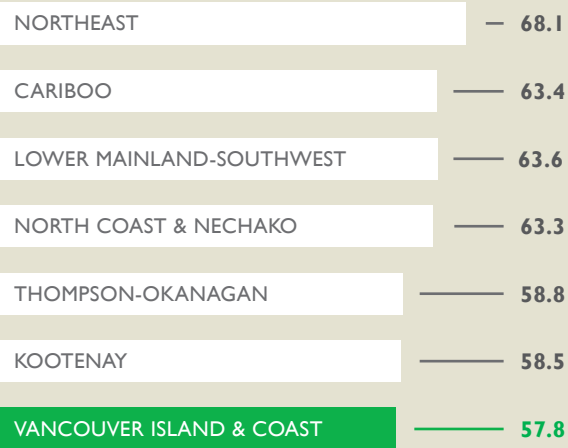
GROWING IN ALL AGE CATEGORIES

Source: Statistics Canada. Table 14-10-0018-01 Labour force characteristics by sex and detailed age group, annual

For the third consecutive year, Vancouver Island’s labour force participation rate and employment rate increased. This was accompanied by indications that the participation rate and employment rate have increased in all age groups, including those aged 15 to 24. Preliminary indicators suggest that employment rates and participation rates remained relatively stable in the first six months of 2018.

Employment Rate
IN PERCENTAGES BY REGION 2017

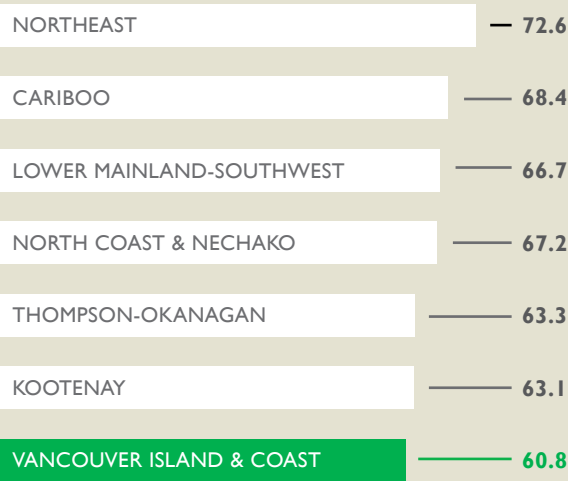
BC AVERAGE | 62%



Source: Statistics Canada. Table 14-10-0018-01 Labour force characteristics by province, territory and economic region, annual

Participation Rate
IN PERCENTAGES BY REGION 2017

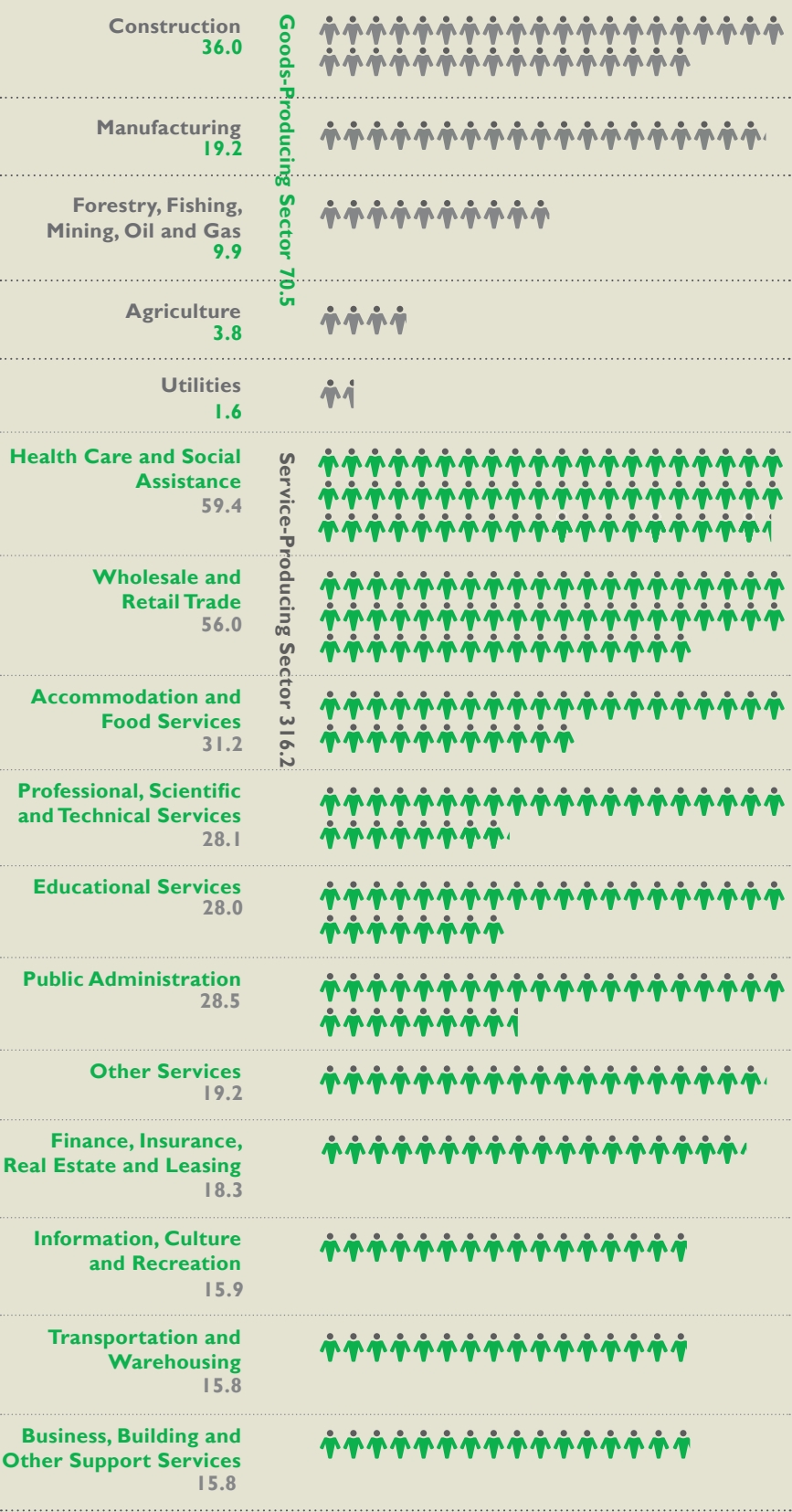
BC AVERAGE | 65.3%



Source: Statistics Canada. Table 14-10-0018-01 Labour force characteristics by province, territory and economic region, annual

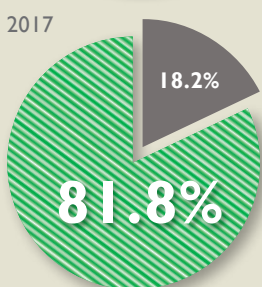
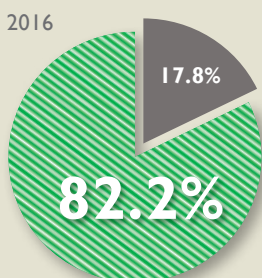
Labour & Employment

Employment By Industry VANCOUVER ISLAND 2017 (IN 000s)

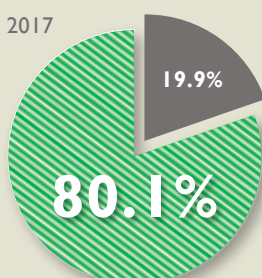
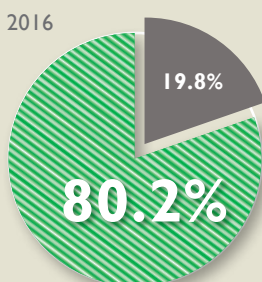


Source: Statistics Canada, Labour Force Survey, Custom Tabulation, Prepared by BC Stats January 2018.

Share of Employment BY SECTOR ON VI



Share of Employment BY SECTOR IN BC



Source: Statistics Canada, Labour Force Survey, Custom Tabulation, prepared by BC Stats January 2018.

Overall employment continued to grow on Vancouver Island in 2017.

The share of employment in the goods-producing sector has increased since 2015 due to growth in Manufacturing and Construction. Growth in Manufacturing was likely in part related to Victoria Shipyards, which is expected to expand its workforce by 25 percent through 2020.¹³ In addition, the Myra Falls zinc, copper and lead mine near Campbell River re-opened on August 1, 2017, bringing back 300 jobs.¹⁴

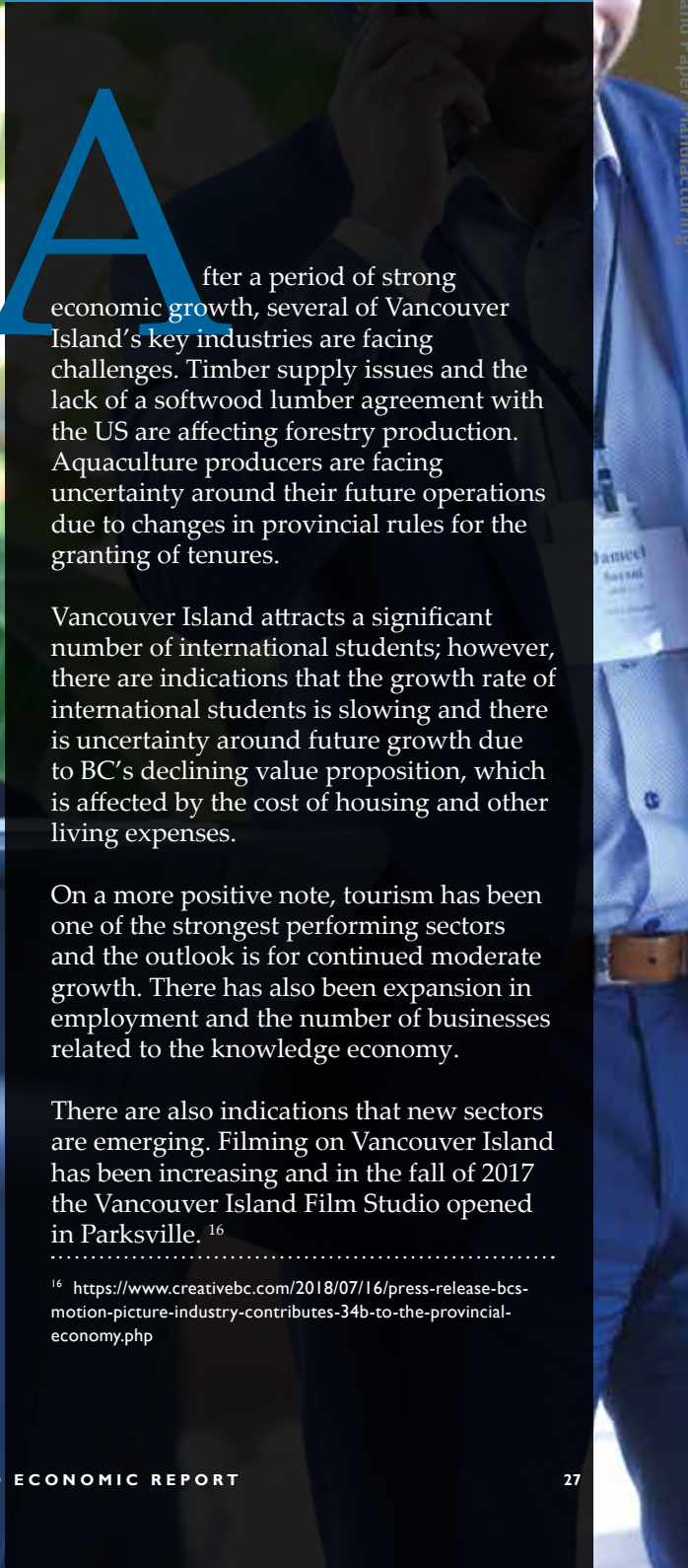
Employment gains in the service-producing sector occurred in the Education; Building, Support, and Other Services; Health Care; Accommodation and Food Services; and Finance and Real Estate sectors. Growth in employment in Education is likely linked to the November 2016 Supreme Court ruling for the British Columbia Teacher's Federation, which put limits on class sizes, the number of special needs students per class and the number of specialists required in schools.¹⁵

Employment growth in sectors providing services to support the growing population and number of businesses on Vancouver Island is expected to moderate as population growth slows, while Health Care employment is expected to continue to increase on Vancouver Island to support the aging population.

¹³ Times Colonist. "Victoria Shipyard to continue busy refit schedule into 2020". Available here: <https://www.timescolonist.com/business/victoria-shipyard-to-continue-busy-refit-schedule-into-2020-1.23094378>

¹⁴ Vancouver Sun. "Mine near Campbell River to restart, bring back more than 300 jobs". Available here: <https://vancouversun.com/news/local-news/mine-near-campbell-river-to-restart-bring-back-more-than-300-jobs>

¹⁵ Vancouver Sun. "Court ruling to force hiring of hundreds of teachers in B.C." Available here: <https://vancouversun.com/news/local-news/b-c-teachers-win-landmark-supreme-court-of-canada-victory>



After a period of strong economic growth, several of Vancouver Island's key industries are facing challenges. Timber supply issues and the lack of a softwood lumber agreement with the US are affecting forestry production. Aquaculture producers are facing uncertainty around their future operations due to changes in provincial rules for the granting of tenures.

Vancouver Island attracts a significant number of international students; however, there are indications that the growth rate of international students is slowing and there is uncertainty around future growth due to BC's declining value proposition, which is affected by the cost of housing and other living expenses.

On a more positive note, tourism has been one of the strongest performing sectors and the outlook is for continued moderate growth. There has also been expansion in employment and the number of businesses related to the knowledge economy.

There are also indications that new sectors are emerging. Filming on Vancouver Island has been increasing and in the fall of 2017 the Vancouver Island Film Studio opened in Parksville.¹⁶

¹⁶ <https://www.creativebc.com/2018/07/16/press-release-bcs-motion-picture-industry-contributes-34b-to-the-provincial-economy.php>

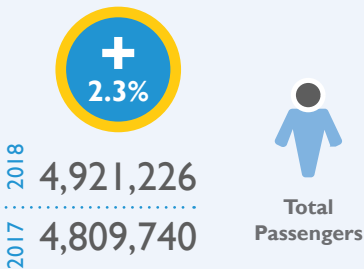
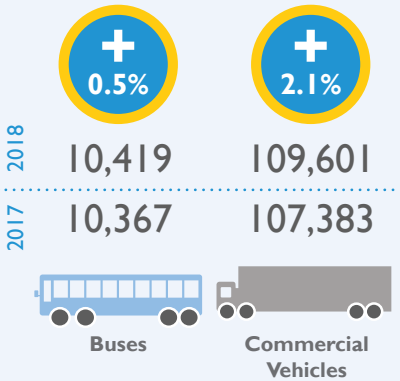
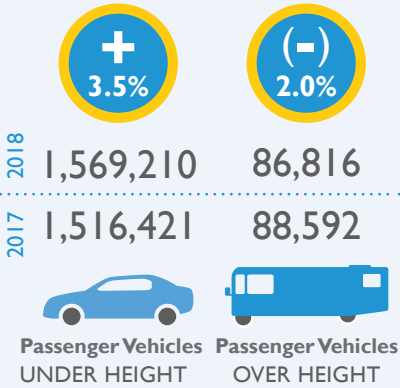
Jameel Sayani, MNP at
the 2017 State of the
Island Economic Summit,
Nanaimo BC

Tourism

Ferry Traffic

JAN-JUN

YEAR-OVER-YEAR CHANGE

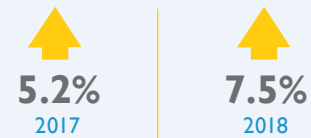
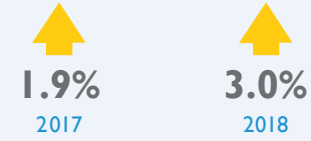


Source: BC Ferries

Visitor Indicators

JAN-JUN

YEAR-OVER-YEAR CHANGE



Source: Destination BC, Provincial Tourism Indicators

Tourism continued to perform well in 2017

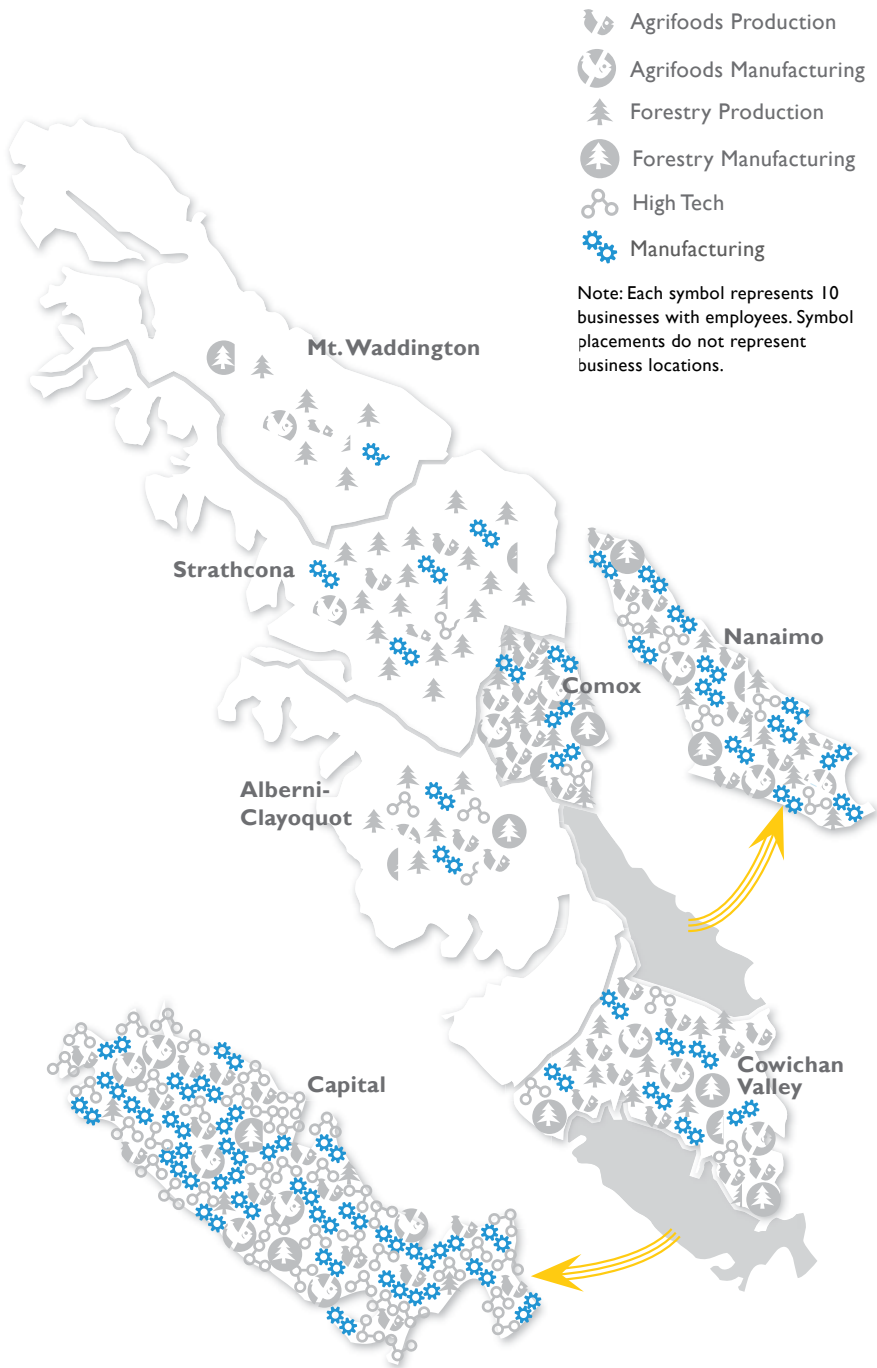
and indicators suggest that the industry will continue to experience moderate growth. In the first six months of 2018, passenger volumes and vehicle traffic on BC Ferries were up 2.3% and 3.1% respectively, and passenger volumes at regional airports were up 7.5%, compared with the same period in 2017.

Signs of growth are also evident in hotel occupancy rates and average daily room rates, both of which increased in 2017. Indicators suggest that hotel occupancy rates and average daily room rates are increasing at rates comparable to those observed in 2017.

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

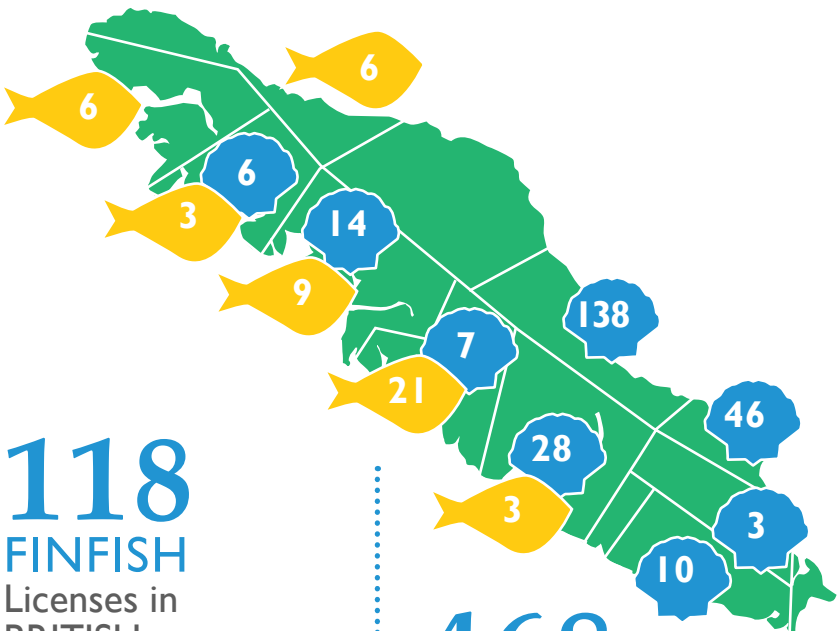


Source: Statistics Canada, Business Register.

Aquaculture & Agriculture

Shellfish and Finfish Licenses

FINFISH—NOVEMBER 2017; SHELLFISH—JUNE 2018



118
FINFISH
Licenses in
BRITISH
COLUMBIA

48
FINFISH
Licenses on
VANCOUVER
ISLAND

41%
of all BC Licenses
on VANCOUVER
ISLAND

468
SHELLFISH
Licenses in
BRITISH
COLUMBIA

252
SHELLFISH
Licenses on
VANCOUVER
ISLAND

54%
of all BC Licenses
on VANCOUVER
ISLAND

Source: Department of Fisheries and Oceans, Current Valid British Columbia Shellfish Aquaculture License Holders as of June 26, 2018.

Department of Fisheries and Oceans, Current Valid British Columbia Finfish Aquaculture License Holders as of November 14, 2017.

BC Aquaculture
Production
ANNUAL AVERAGE
2011–2016 (\$ Millions)

\$21.5
SHELLFISH



\$493.9
FINFISH



\$515.4
TOTAL



Note: Data were not available for the value of Scallops farmed in 2015 and 2016, and as a result the Total Shellfish and Total Aquaculture Production average values are marginally understated.

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

The quantity of aquaculture production in BC

remained stable in 2016, while the value of aquaculture production increased substantially due to a rise in the price of salmon. The increase in the price of salmon was due to a lack of supply caused by sea lice in Norway and Scotland, and a deadly algae bloom in Chile.¹⁷ Salmon prices have declined from 2016 levels as global supplies have increased.¹⁸

Export data indicates that 2017 aquaculture production quantities were relatively stable in BC. For 2018, export data from the first six months indicate that aquaculture production quantities have increased, compared with the same period in 2017.¹⁹ The 2018 increases are driven by substantial year-over-year increases in the export of crab, hake and fillets of salmon.

DID YOU KNOW?

In early 2018, a norovirus outbreak in BC oysters led to the closure of four shellfish farms in Baynes Sound on Vancouver Island.²⁰ This follows an outbreak in 2017 that closed 11 farms on Vancouver Island and cost the industry an estimated \$9.1 million.²¹

Aquaculture production is expected to remain stable in 2018; however, there is considerable uncertainty about future operations following an announcement by the provincial government of new rules that come into effect in June 2022 regarding the granting of tenures.²² Until then, operators with expired tenures may operate on a month-to-month basis. In addition, as of September 2018 the future of specific operations in the Broughton Archipelago are being decided through a joint decision-making process between the provincial government and three First Nations.

¹⁷ FAO. "Severely elevated prices in 2016 has salmon sector searching for solutions". Available here: <http://www.fao.org/in-action/globefish/market-reports/resource-detail/en/c/902748/>

¹⁸ FAO. "Global salmon prices come down as farmed harvests flood the market". Available here: <http://www.fao.org/in-action/globefish/market-reports/resource-detail/en/c/1110416/>

¹⁹ Canadian International Merchandise Trade Database

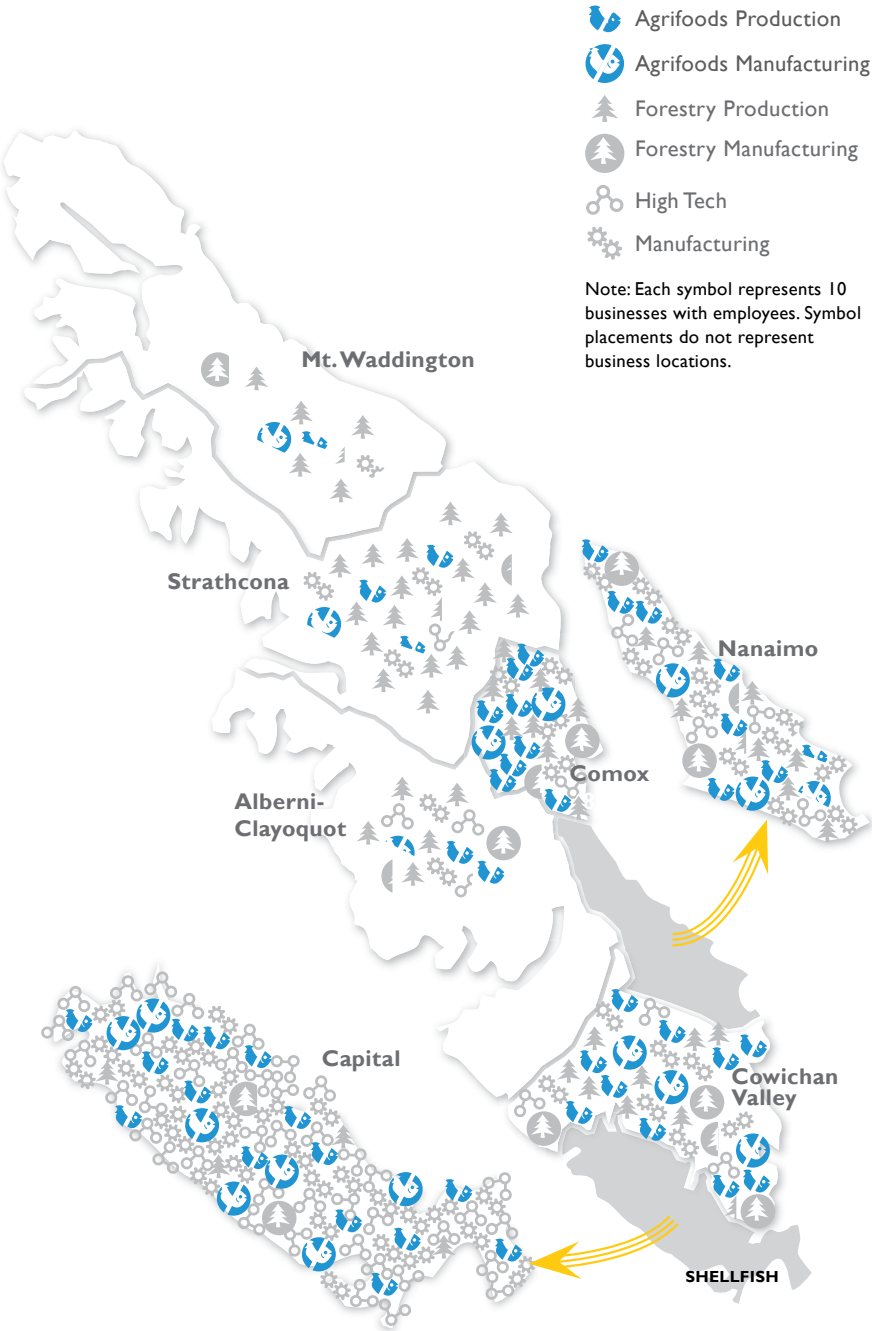
²⁰ BC Centre for Disease Control. "Update: Outbreak of norovirus associated with raw BC oysters". Available here: <http://www.bccdc.ca/about/news-stories/news-releases/2017/update-norovirus-oysters>

²¹ CBC. "Norovirus outbreaks linked to B.C. oysters a sign of water pollution, says shellfish group". Available here: <https://www.cbc.ca/news/canada/british-columbia/norovirus-oysters-april-2018-1.4649715>

²² BC Government. "BC Government Announces New Approach to Salmon Tenures". Available here: <https://news.gov.bc.ca/releases/2018AGRI0046-001248>

Aquaculture & Agriculture

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



Source: Statistics Canada, Business Register.

It's All Good! Island Good!



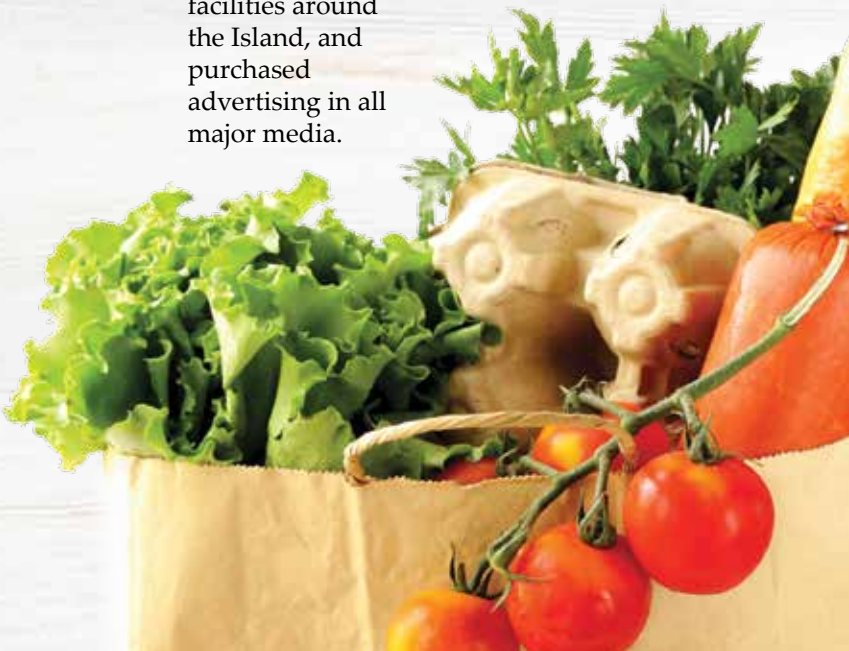
by George Hanson—President & CEO, VIEA

THE THEORY

VIEA launched the Island Good point of sale campaign in March 2018 with the belief that if mainstream consumers could more easily identify Island-made food and beverage products on the shelves of major grocery stores, they would purchase more of these products and thereby help strengthen this segment of our economy.

THE TEST

From March 18 to September 19, 2018, four participating grocery store chains – Country Grocer, 49th Parallel Grocery, Quality Foods and Thrifty Foods – participated in VIEA's 'Island Good' point of sale experiment by identifying Island-grown and Island-made products with shelf markers and signage and by including Island Good references in some of their advertising. These grocers committed to monthly reporting of 2018 product sales compared with same store, same month sales from 2017. VIEA, with funding support from the Island Coastal Economic Trust and contributions from Hot House Marketing, Spark Strategic Group, B&C Foods, Hertel Meats, Saputo, BC Salmon Farmers Association, Vancouver Island Farm Products Inc., Paradise Island Foods, and Portofino European Bakery, hosted four launch events at food production facilities around the Island, and purchased advertising in all major media.



THE QUESTION

Would consumers respond?

THE RESULTS

A Resounding YES! When we saw an average sales lift of 17% in the first month, our first reaction was, “WOW!” (We would have been impressed with 2-3%.) “But will it sustain beyond the promotional hype?” When we saw an average sales lift of 9.3% in month two, we thought “That’s still amazing! But will it trend down the further we get from the promotional launch?” When we saw a lift of 11.8% in month three, we knew that we were on to something. And when the average lift soared to 29.3% in month four, we started working towards establishing the Island Good brand as a permanent sales advantage for Island businesses. In month five the average lift settled back to 10.4% - still an impressive number by anyone’s standards. And as of this writing we await the month six sales results and our final report.

THE NEXT STEP

Immediate availability of Island Good licensing opportunities for food and beverage industry stakeholders from growers processors and grocers to wineries, restaurants and resorts. Through the pilot campaign, VIEA was inundated with communiques from retailers, growers, producers, processors, distributors and consumers—all thanking us for creating Island Good and asking to get involved. Since the pilot project was designed as a test to measure consumer response, we could not open the door to additional participation without jeopardizing the experiment—and the controlled results from our mainstream grocery store measurements were critical to proving or disproving our thesis. Now, with proof in hand, VIEA is offering Island Good licensing to businesses across the spectrum of the food and beverage value chain with confidence that consumers will continue to support and value local products.

It’s All Good! Island Good!

THE GENESIS

Several years ago, the Vancouver Island Economic Alliance decided to serve only foods that were made or grown on Vancouver Island at a luncheon it was hosting. A board member was given a budget and the task of purchasing foods for the event. What seemed simple



enough, turned into a scavenger hunt as the VIEA shopper combed the shelves and display cases of local grocery stores for Island products. It was our belief that people would purchase more local food and beverage products if they were more aware of these products and could find them more easily in stores. Believing that increased awareness would lead to increased demand and that increased demand can lead to more production, more jobs and more investment, inspired this project to demonstrate consumer interest and support for local products. This, we think, is good for our economy, good for our communities, good for developing food security, and good for us—Island Good!



THE BIG PICTURE

Vancouver Island is well-known internationally as a great place to visit and as a great place to retire. The Island is much less known as a destination for business investment and the production of goods. In fact, VIEA's first Economic Report in 2015 showed that while the Canadian economy is 70% services and 30% goods, the Island economy is 80% services and only 20% goods. Our present focus on food production is only the tip of the iceberg.

Our ultimate goal is to have every product from potatoes to airplane parts marked Island Good. And, we had to start somewhere... Food products seemed like an easy starting place and advocating for a point of sale pilot project to promote Island made products already carried in the stores of major grocery retailers seemed like the easiest starting point within the food product category. Thus, Island Good.

Increasing goods production volumes can lead to increased potential for export trade and better balance in our Island economy. We think this is good. Island Good. How about you?

Forestry

Distribution of Businesses

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

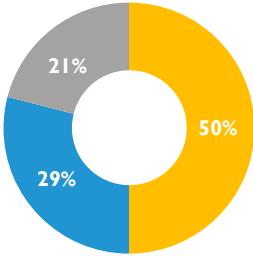


Source: Statistics Canada, Business Register.

Forestry

Distribution of Forestry Sector Employment

VANCOUVER ISLAND 2017



9,900
Total
EMPLOYMENT



Source: BC Stats, Employment by Industry *Values are for Paper Manufacturing Industry which includes Pulp

2017 was a challenging year

for the forest industry on Vancouver Island as production and employment declined. The production declines were related to the ongoing timber supply issues on Vancouver Island, which worsened in 2017 due to extended winter conditions in the first half of the year, followed by hot and dry summer conditions.²⁴ Lack of available fibre supply led to reductions in employment in harvesting activities and to the closure of a mill in Port Alberni.

Another factor was the failure to reach a softwood lumber agreement with the US. In April 2017, the US Department of Commerce announced that it would be imposing preliminary countervailing duties on softwood lumber imports from Canada. This was followed by anti-dumping duties in June. In November, a final determination was made and duties were lowered from approximately 27% to approximately 20% on shipments to the US from producers on Vancouver Island.

While US demand remained strong and exporters were able to raise prices to cover the duties, shipments to the US from the BC coast declined by 23% compared with 2016.^{25,26} Strong demand from Asia allowed producers to redirect supply; however, overall production declined by approximately 14% year-over-year.

Further declines in production are expected in 2018. In the first six months of the year, shipments to the US declined by approximately 16 percent year-over-year and overall production was down 9% on the BC Coast.²⁷ In addition, the annual allowable cut for the Arrowsmith Timber Supply Area, on southern Vancouver Island, was reduced in February 2018.²⁸

Timber Processing Facilities

VANCOUVER ISLAND 2016

45
Total
FACILITIES

LUMBER MILLS* (23)
PULP & PAPER (3)
POLE & POST (3)
OTHER** (16)

Source: Ministry of Forests, Lands and Natural Resource Operations, Major Timber Processing Facilities in BC, 2016.

*The Somass lumber mill in Port Alberni closed indefinitely in July 2017.²³

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

²³ CBC News. <http://www.cbc.ca/news/canada/british-columbia/port-alberni-sawmill-closure-1.4225434>

²⁴ Western Forest Products. 2017 Annual Report.

²⁵ Financial Post. "U.S. softwood lumber prices near all-time high as Canadian producers pass on duties to U.S. consumers". Available here: <https://business.financialpost.com/commodities/u-s-softwood-lumber-prices-near-all-time-high-as-canadian-producers-pass-on-slapped-duties-to-u-s-consumers>

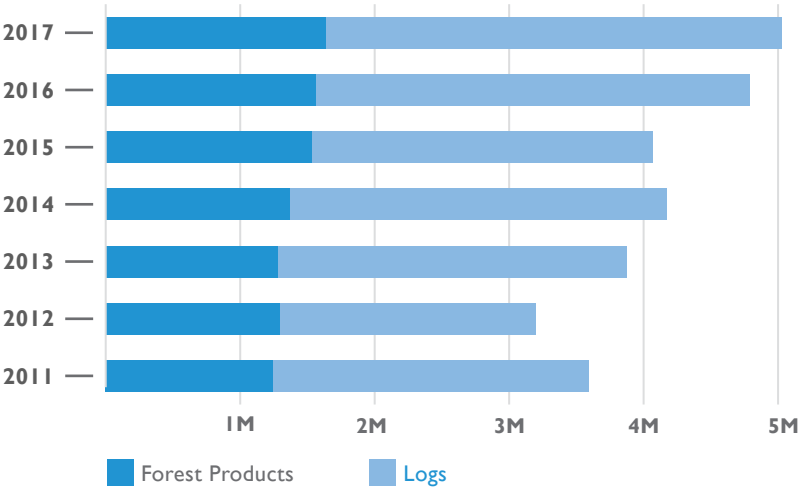
²⁶ Global Affairs Canada. "Monthly Export Reports (Canada-US)." Available here: http://www.international.gc.ca/controls-controles/softwood-bois_ooeuvre/index.aspx?lang=eng

²⁷ Statistics Canada. Table 16-10-0045-01 Lumber, production, shipments and stocks, monthly (x 1,000)

²⁸ Ministry of Forests, Lands, Natural Resource. "New allowable annual cut set for Arrowsmith Timber Supply Area". Available here: <https://news.gov.bc.ca/releases/2018FLNR0009-000183>

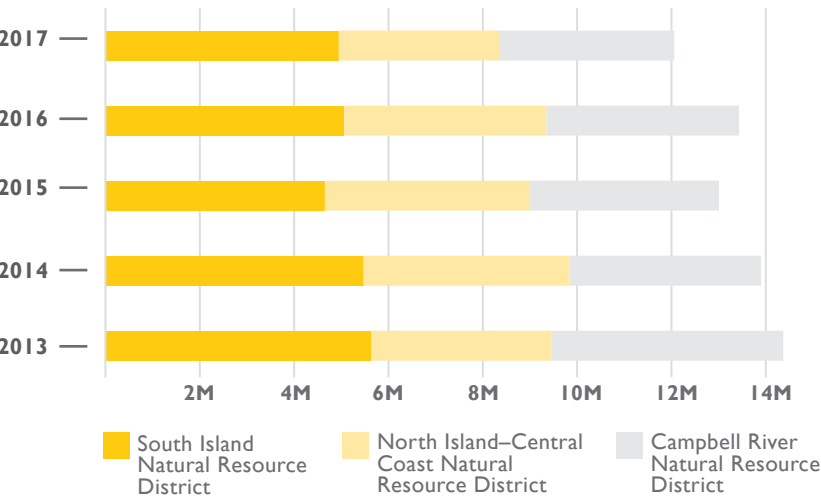
Forestry

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



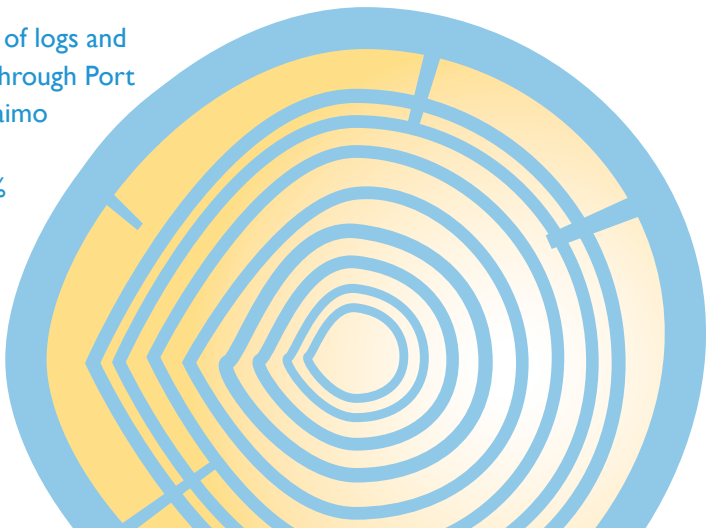
Source: Nanaimo Port Authority Cargo Statistics, Port Alberni Port Authority

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



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

While shipments of logs and forest products through Port Alberni and Nanaimo increased by approximately 5% year-over-year, overall production declined in 2017.



Renewable Energy

GUEST CONTRIBUTOR David King

Principal, BC Wave Energy Corporation

Vancouver Island has rich potential for renewable energy. Wind for turbines blows unobstructed off the Pacific Ocean while the rivers and tides predictably move enormous volumes of water for capture by turbines. The West Coast of the Island has been called the Saudi Arabia of wave energy with one of the most energetic wave climates in the world.

British Columbia is a province with surplus capacity in power generation which makes the introduction of new technologies challenging.

BC Hydro's current mandate is to provide reliable, affordable, clean electricity throughout British Columbia, safely - so the challenge of developing new technologies falls to the private sector. The opportunity exists to create an industry with core and ancillary technologies that can provide well paid jobs and expertise that can be exported beyond Vancouver Island.

Developing and financing emerging technologies is complex and emerging renewable technologies are never price competitive against established technologies. Developers depend on a combination of grants and investment for unproven early stage projects. Grid access, the ability to sell the power into the grid to support long term cash flow, is also vital to any project. Many countries use economic incentives like feed-in-tariffs; to be effective, these need to be structured carefully and at a scale that allows for technology to be demonstrated while not artificially disrupting the market.

Storage is another major obstacle to renewable energy. Hydro-electric dams act as huge batteries that allow BC Hydro to dependably manage the peaks and troughs of power demand.

The Achilles heel of renewable energy is that it is intermittent. Wind turbines produce power when the wind blows and solar panels when the sun shines. Much work is being done

on new batteries and storage. Development on technologies like vanadium redox batteries may provide long term solutions that could reduce diesel dependence in remote communities and allow for the integration of renewable energy into local grids.

Most of Vancouver Island's power comes from three cables that run from the mainland: two 500 kV lines cross from the Sunshine Coast to the Dunsmuir Substation near Qualicum, and the 230 kV VITR Project that connects near Duncan. These lines can deliver 1,950 MW to serve Vancouver Island. The most recent upgrade was the \$295M Vancouver Island Transmission Reinforcement (VITR) Project in 2009. BC Hydro says that the 500 kV lines are in fair/good condition and the 230 kV line is in very good condition. There are no plans to increase the cable capacity in the 10-year capital plan. If more power was generated on Vancouver Island it could result in saving or deferral of future cable upgrades for the cables currently supplying the Island.

BC Hydro has available 753 MW of dependable generating capacity on the Island: 459 MW from hydro, 275 MW from the Island generation plant and the balance from independent power producers. Last winter's peak load on Vancouver Island was approximately 1,981 MW with 31% of that peak supplied by Vancouver Island generation.

The Campbell River 275 MW Island Generation natural gas fired plant generates power depending on grid demand and market prices under an electricity purchase agreement that ends in 2022. Over the past five years Island Generation has operated with a capacity factor of less than 10%.

The Cape Scott Wind Farm has a rated capacity of 99MW and is expected to generate enough to power approximately 30,000 homes. An expansion to add 50MW capacity is planned under a 20-year power purchase agreement. Wind energy is becoming cost competitive with carbon-based fuels, but, as an intermittent resource, it is still considered an economically lower-value energy compared to constant sources like hydro with storage.



AXYS watchmate buoy, West Coast Wave Initiative (WCWI) UNIVERSITY OF VICTORIA

Wave and tidal energy are still in their infancy but at a stage with opportunities for local companies to take a leadership position in a new industry. The West Coast Wave Initiative (WCWI), based out of the Institute of Integrated Energy Systems (IESVic) at the University of Victoria, is working to quantify the resource and provide an indication of the opportunities and challenges associated with wave power generation.

The WCWI has built a database of BC wave conditions that estimates that 324 TWh could be generated along the coast of British Columbia (see Wave Energy: A Primer for British Columbia https://pics.uvic.ca/sites/default/files/uploads/publications/Wave%20Energy%20Primer%20WEB%2003_31_2017a_0.pdf). If all this energy could be extracted, electricity from ocean waves would be able to deliver about six times British Columbia's current energy requirements. It is more predictable than wind and solar thus it is easier



Cape Scott Wind Farm

to integrate into a utility scale electrical grid.

There is a network of locally grown companies that is forming an evolving technology ecosystem around ocean energy. These supporting companies are developing expertise in engineering, ocean modelling, and marine renewable energy resource assessment. Several of these companies are already exporting their expertise and are recognized as world leaders.

Dr. Brad Buckham, Director of the WCWI, sums up BC's potential stating that "future generations of BC residents will not be able to rely on single energy resource – global clean energy resource diversification is needed, inevitable and to BC's benefit. BC has a true wealth of renewable energy resources, including wave, tidal, wind, riverine, biomass, solar and geothermal. But of all these resources, it can be argued that the province's substantive competitive advantage lies in waves. The sheer magnitude of the wave energy resource impinging on BC's coastline is matched by

that of only a few countries around the globe."

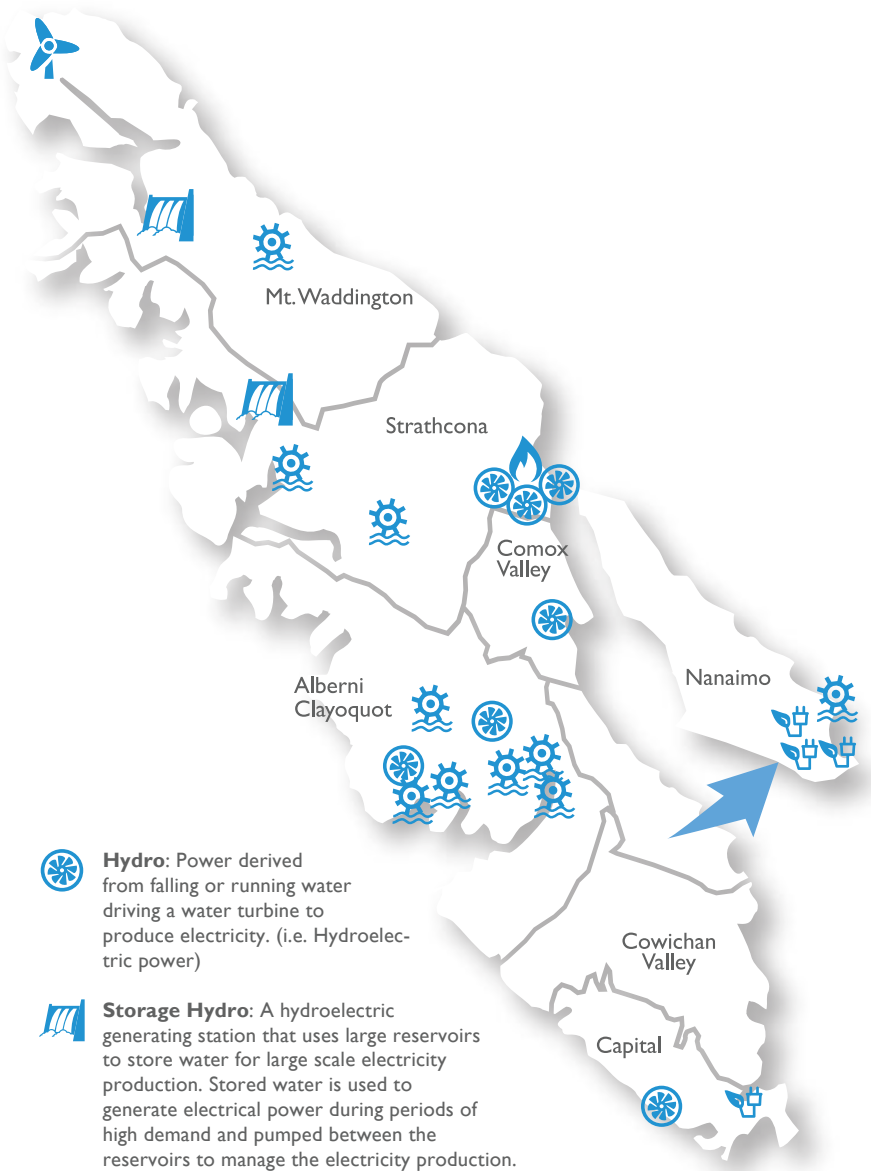
The opportunity exists to build a renewable energy industry on Vancouver Island with economic development potential that reaches far beyond the Island. This is the vision of the government in its "Clean Growth Future" (see <https://engage.gov.bc.ca/cleangrowthfuture/>) policy Intentions Papers:

"This is the time to help our industries grow and make them even cleaner, positioning our energy and products as engines of sustainable prosperity."

Island companies are building the expertise but project developers need market access to sell power into the grid to make projects financially viable. Continued development will require the political will to write progressive policy to stimulate new ideas and investment that encourage innovation and support the emerging technologies.

Distribution of Energy Projects & Facilities

ACROSS VANCOUVER ISLAND



Hydro: Power derived from falling or running water driving a water turbine to produce electricity. (i.e. Hydroelectric power)



Storage Hydro: A hydroelectric generating station that uses large reservoirs to store water for large scale electricity production. Stored water is used to generate electrical power during periods of high demand and pumped between the reservoirs to manage the electricity production.



Non-Storage Hydro: A hydroelectric generating station that has no capacity to store or retain water. The amount of power depends on the natural flow of the river. (i.e. run-of-the-river hydro)



Natural Gas: Power derived from burning natural gas to produce electricity.



Biomass: Power derived from burning wood or organic matter (wood pellets, timber, logging debris, agricultural waste, municipal waste, etc. ...) to produce electricity.



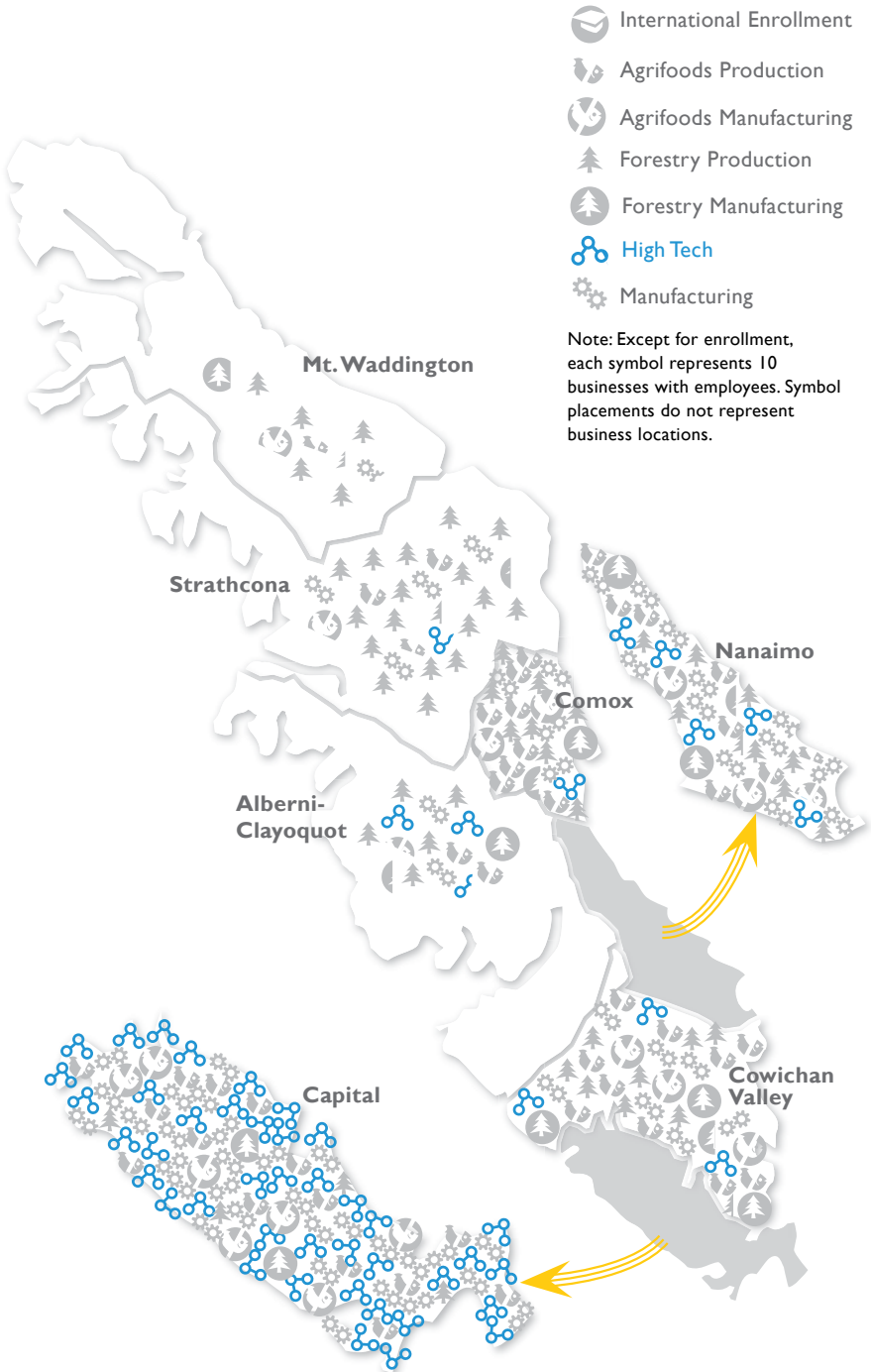
Wind: Power derived from air-flow (wind) spinning turbines to produce electricity. (i.e. wind turbines)

Source: BC Hydro and <http://energybc.ca/electricitymap.html>

High Technology

Distribution of Businesses

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

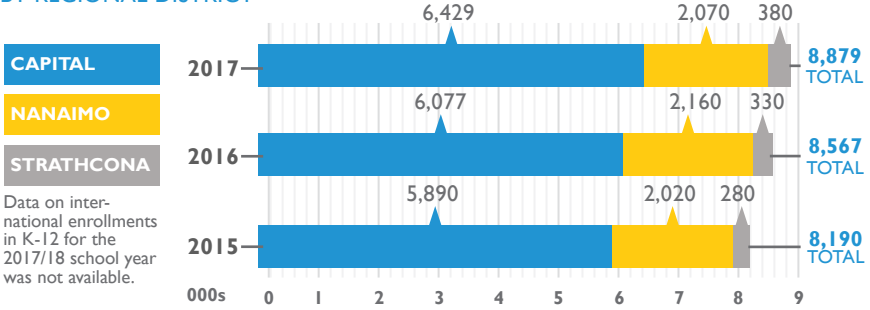


Source: Statistics Canada, Business Register.

Education

Post-Secondary International Enrollments

BY REGIONAL DISTRICT



Source: BC Ministry of Advanced Education, October 2017 Data Submission and BC HEADset

Post-Secondary International Enrollments

ON VANCOUVER ISLAND



Source: BC Ministry of Advanced Education, October 2017 Data Submission, BC HEADset

International student enrollment

in Vancouver Island post-secondary institutions continued to grow in 2017, largely driven by increases in enrollments at Camosun College and the University of Victoria. Outside of the Capital region enrollments were relatively stable.

Data were not available on K-12 international enrollments for the 2017/18 school year.

International enrollments are not expected to grow significantly in the near term. Tuition fees for incoming international students were increased by 20% at the University of Victoria.²⁹ This, combined with a declining value proposition due to housing costs and other living expenses, is expected to make it less attractive for international students to study on Vancouver Island.

Business counts in educational services have remained stable in the past three years, while employment in educational services increased in 2017 after a period of stability.

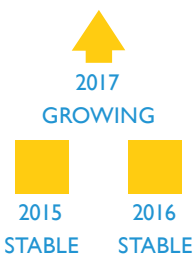
Increases in employment are likely related to the November 2016 Supreme Court ruling for the British Columbia Teachers' Federation, which put limits on class sizes, the number of special needs students per class and the number of specialists required in schools.³⁰ These contract provisions resulted in the need for an estimated 3,000 to 3,500 additional teachers across BC.³¹

Business in Educational Services



Source: Statistics Canada, Business Register, December 2015, 2016, 2017

Employment in Educational Services



Source: Statistics Canada, Labour Force Survey, Custom Tabulation

²⁹ University of Victoria. "Board approves budget framework for 2018/19". Available here: <https://www.uvic.ca/news/topics/2018-budget-framework-2018-19-news>

³⁰ Vancouver Sun. "Court ruling to force hiring of hundreds of teachers in B.C.". Available here: <https://vancouversun.com/news/local-news/b-c-teachers-win-landmark-supreme-court-of-canada-victory>

³¹ CTV. "School districts scramble to hire thousands of teachers after ruling". Available here: <https://bc.ctvnews.ca/school-districts-scramble-to-hire-thousands-of-teachers-after-ruling-1.3570538>

H

ousing prices on Vancouver Island continued to climb between June 2017 and June 2018; however, growth rates in most communities are lower compared with the same period in the previous year. Price increases ranged from 8% in Victoria to 22% in Campbell River and Port Alberni.

Despite the slowing growth of housing prices in Victoria, affordability remains a concern. According to RBC, Victoria is the third least affordable housing market in Canada, behind only Vancouver and Toronto.³² The share of household income required to cover the ownership costs of a typical home in Victoria reached approximately 63% in the first quarter of 2018.

There is some indication that increases in Port Alberni, Campbell River, Comox Valley and Qualicum-Parksville may be related to spill-overs from Victoria and Vancouver. In 2017, 16.5% of home buyers on Vancouver Island (excluding Victoria) came from Vancouver, while 10.2% came from Greater Victoria.³³ Approximately 81% of buyers were purchasing their principal residence, while 85% of buyers were not first-time buyers.³⁴

Vancouver Island's housing market is expected to slow in 2018 due to lower levels of migration, rising interest rates, new mortgage rules, and a series of provincial measures to cool the housing market.³⁵

³² RBC Economics. "Housing Trends and Affordability". July 2018. Available here: <http://www.rbc.com/newsroom/reports/rbc-housing-affordability.html>

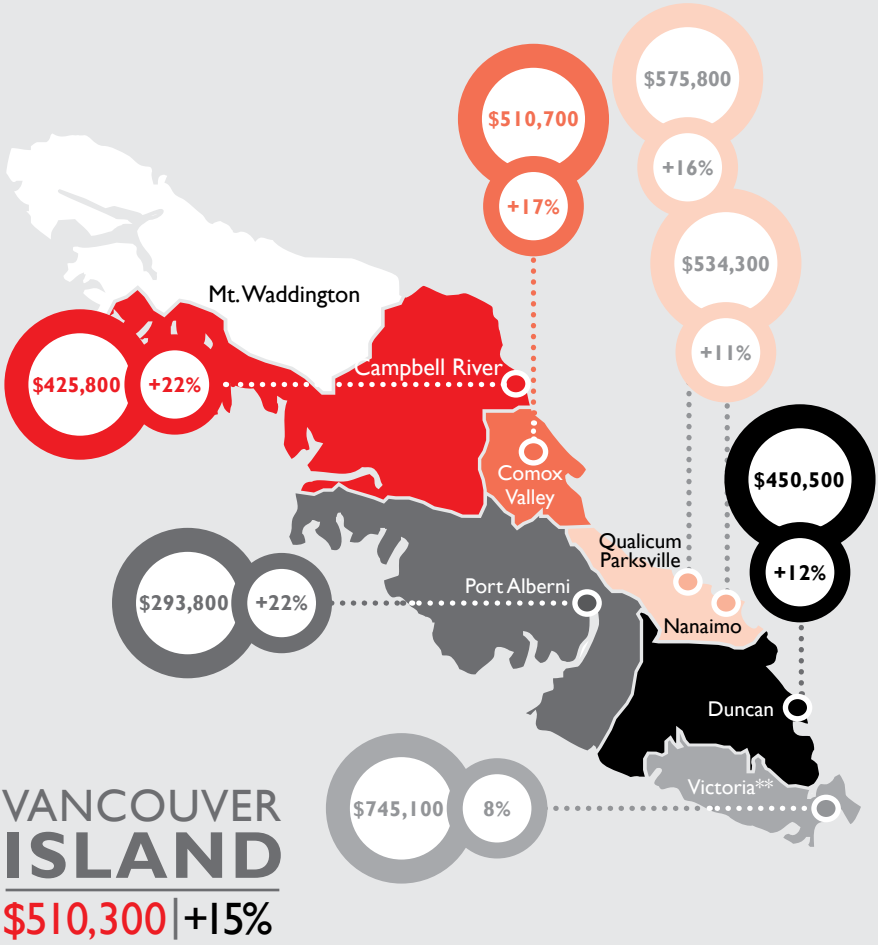
³³ VIREB. "2017 Buyer Profile". Available here: http://www.vireb.com/assets/uploads/2017_buyer_profile_1840.pdf

³⁴ Ibid.

³⁵ RBC Economics. Provincial Outlook, June 14, 2018.

Housing—Benchmark Single Family Home Prices*

IN JUNE 2018 (GROWTH COMPARED TO ONE YEAR AGO)



Source: Vancouver Island Real Estate Board Monthly Statistical Package June 2018, Victoria Real Estate Board Statistics Package for Media June 2018.

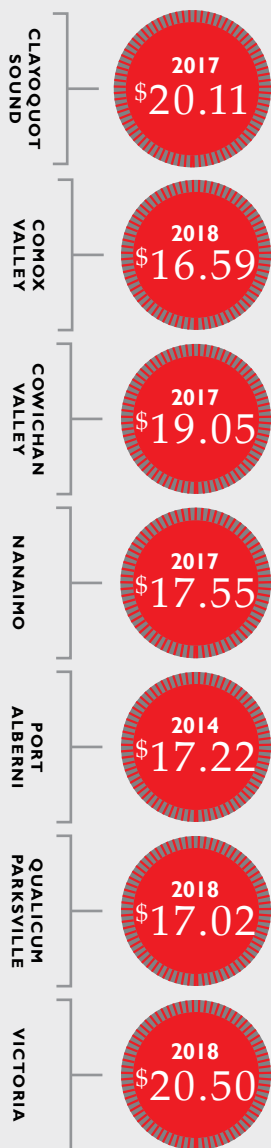
*The benchmark for single family home is a composite of one-storey homes (where the bedrooms, kitchen and dining rooms are on the same floor and the utility room and laundry room are generally located below ground) and two-storey single family homes (characterized by distribution of bedrooms on the upper 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, GI Gulf Islands

Wages

Living Wages

FOR SELECTED
COMMUNITIES ON
VANCOUVER ISLAND



Source: Government of Canada,
Job Bank Wage Report for
Vancouver Island and Coast.

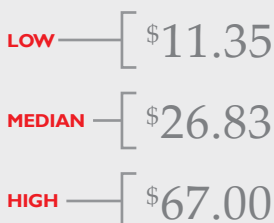
A living wage

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.³⁶

The living wage on Vancouver Island ranges from \$16.59 in Comox Valley to \$20.50 in Victoria. Comparing the living wage with median wages on Vancouver Island suggests that skilled workers (eg., 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.

There were no data available on earnings on Vancouver Island to assess wage trends. In BC, average weekly earning rose by approximately 1.7% per year between 2014 and 2017.³⁷ Inflation over the same period in BC was 1.7% as well.³⁸ Wages in BC are expected to grow faster than inflation in 2018 as a result of increases in the minimum wage and tight labour market conditions. The growth rate on Vancouver Island is expected to be comparable to that in the province as a whole with the strongest growth expected in professional occupations and occupations related to the knowledge economy.

Wage Rates



Source: Government of Canada,
Job Bank Wage Report.

³⁶ Living Wage Canada, Canadian Living Wage Framework.

³⁷ Statistics Canada. Table 14-10-0204-01 Average weekly earnings by industry, annual.

³⁸ Statistics Canada, Table: 18-10-0005-01 Consumer Price Index.

FOR SELECTED OCCUPATIONS ON VANCOUVER ISLAND

[illegible]

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

On June 1, 2018, the Government of BC increased the general minimum wage to \$12.65 per hour and increased the minimum wage for certain occupations including liquor servers, camp leaders, live-in support workers, resident caretakers, and crop harvesters.³⁹ The general minimum wage is scheduled to increase annually on June 1, until it reaches \$15.20 in 2021.

³⁹ Government of BC. “Minimum Wage Factsheet”. Available here: <https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/minimum-wage>





In Closing...

We hope you will find this report valuable and that you will take advantage of the added benefit of access to the ‘data behind the data’ available at viea.ca.

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 four annual reports, (back issues can be accessed at viea.ca at no cost) 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 reliable and 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 is 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.

— Bret Torok-Both **CHAIR, VIEA**



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THANKS!

to the generosity of our supporters and the expertise of researchers and staff at MNP, VIEA is proud to present the 4th 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 2019 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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