

- BC's unemployment rate rises to 7.8% in May, despite solid job growth
- Spending on residential construction up 9.7% in the first quarter
- Labour income rises 1.7% in the first quarter

Labour Force

- **British Columbia's unemployment rate edged up to 7.8% (seasonally adjusted) in May, as employment gains (+0.7%) failed to keep pace with labour force growth (+0.8%).** Although the jobless rate was higher than in April, employment growth in the province was the strongest it has been since late last year

Job growth was concentrated in the service sector, where employment increased by 15,000 people in May. Wholesale and retail trade, the largest service-sector employer, took on 1.7% more workers, while other services such as management (+5.3%), education (+4.9%) and information, culture & recreational services (+3.0%) saw a significant expansion in staffing levels. However, the transportation and warehousing industry cut back the size of its workforce 1.5%. In the goods sector, employment stalled (+0.1%) in May despite solid gains in most industries, as the number of jobs in construction fell back 2.8%.

Self-employment advanced 4.0% in May, but the number of private sector employees was virtually unchanged (+0.1%) from the previous month. Public sector employment shrank 0.5%, offsetting a similar expansion in April. There were more part-time workers (+2.6%), but full-time employment rose only modestly (+0.2%).

Data Source: Statistics Canada

- **Among the regions, unemployment rates remained fixed in the double-digits in North Coast/Nechako (14.5%, 3-month moving average), Cariboo (13.0%) and Kootenay (10.8%).** North Coast/Nechako (-14.3%, year-over-year) continued to see significant job losses, as did Kootenay (-14.3%). In Northeast, where the unemployment rate remained relatively low (at 6.3%), there were 6.8% fewer people with jobs

than in May 2003. Vancouver's unemployment rate was 7.2%; in Victoria, the jobless rate remained extremely low, at 4.4%.

Data Source: Statistics Canada

- **Nationally, the unemployment rate inched down to 7.2%, as the number of people with jobs (+0.4%) increased twice as fast as the labour force (+0.2%).** BC and Ontario (+0.2 percentage points) were the only provinces where the jobless rate rose in May. *Data Source: Statistics Canada*

The Economy

- **Wages, salaries and benefits paid to BC workers increased 1.7% (seasonally adjusted) in the first quarter, marking the third straight quarter of solid gains in labour income.** The increase was more than double the national average (+0.8%). Alberta, where labour income advanced (+1.8%) nearly two percent for the third quarter in a row, was the only province to see similarly strong growth in the total pay packet.

Data Source: Statistics Canada

- **Investment in residential construction increased 9.7% (seasonally adjusted) in the first quarter as a building boom in the province continued virtually unabated.** The first-quarter gain followed an even stronger increase at the end of last year (+12.4%). The value of new apartments constructed in the province continued to rise at double-digit rates (+14.8%), while spending on single-family dwellings, accounting for just over half of all investment in new residential structures, was up 8.4%. British Columbians invested heavily in improvements and renovations to existing dwellings in the first quarter, with spending totalling \$943 million. This means that for every \$1 invested in new residential construction in the province, another 77 cents were spent on renovations.

Data Source: Statistics Canada & BC Stats

Did you know...

More than 70% of people in the UK would reveal their computer password in exchange for a bar of chocolate, according to a recent survey. The survey also showed that 34% of respondents volunteered their password when asked without even needing to be bribed.

- **Production at sawmills and planing mills in the province was 5.0% higher this March than in the same month last year.** Mills in the interior of the province produced 10.2% more lumber, by volume, than they did a year earlier. However, coastal sawmills cut back their output 11.2%.

During the first quarter, lumber production in the province fell 1.1%, relative to the same period of 2003, largely due to a 15.2% decline in output from coastal mills. Production at mills in the interior rose 3.1%. *Data Source: SC, Catalogue 35-003-XIB*

Hate Crimes

- **Twelve major Canadian police forces reported a total of 928 hate crime incidents during 2001 and 2002.** One in four of these crimes targeted Jewish people or institutions. Blacks (17%), Muslims (11%) and South Asians (10%) were the next most common targets. Mischief or vandalism (29%), assault (25%), uttering threats (20%) and hate propaganda (13%) were the most frequent offences against individuals.

Data Source: SC, Catalogue 85-002, Vol 24 No 4

Health in Canada and the US

- **Americans surveyed in 2002/03 were more likely to report being either in poor/fair (15%) or excellent (26%) health than Canadians (12% and 24%, respectively).** For the lowest income earners—the poorest 20% of the population—poor health status is much more common in both countries (23% in Canada and 31% in the US). However, the health disparities between high and low income earners is more extreme in the US than in Canada.

Obesity rates are notably higher in the US (21%) than in Canada (15%). In contrast, Canadians (19%) are more likely to be daily smokers than Americans (17%). (Note: all percentages are adjusted to control for differences in population age). *Data Source: SC, Catalogue no. 82-M0022-XIE*

- **Unmet health care needs were reported by 13% of Americans and 11% of Canadians in 2002/03.** Among those in the US who lack health insurance, 40% reported having unmet health care needs, compared to 10% of those with insurance. Americans were most likely to report cost as a

reason for unmet health needs, while the main reason cited by Canadians was waiting times. Canadians (85%) were more likely to have a regular doctor than Americans (79%). Only 43% of the uninsured in the US had a regular doctor.

Data Source: SC, Catalogue no. 82-M0022-XIE

- **Ninety percent of Americans were satisfied with the health care service they received, compared to 87% of Canadians.** Those without insurance in the US reported a significantly lower degree of satisfaction (79%).

Data Source: SC, Catalogue no. 82-M0022-XIE

The Nation

- **Canada's economy continued to expand rapidly in the first quarter, with real GDP increasing 0.6% (seasonally adjusted) in the first quarter after posting an even stronger 0.8% gain at the end of 2003.** Domestic demand for goods and services (+1.2%) contributed to the strength of the economy. Consumer spending rose 1.3%, while business investment in fixed capital advanced 1.6% on the strength of a 3.4% jump in residential investment. Businesses cut back their spending on non-residential structures (-1.4%), but invested 1.6% more in machinery and equipment than they did in the fourth quarter of 2003. The value of exports rose 1.5% but imports were virtually unchanged (+0.1%) from the fourth quarter of 2003, and as a result the trade surplus increased. Inventory levels fell as producers met some of the demand by drawing down their stock.

Data Source: Statistics Canada

- **Canadian corporate profits rose 6.0% (seasonally adjusted) in the first quarter, fuelled by gains in the oil & gas and banking sectors.** Operating profits increased to a record high of \$47.4 billion. Chartered bank profits boosted the financial industries, which reported a 5.0% increase. Oil and gas extraction companies saw profits jump 18.2% on the strength of rising crude oil prices. However, profits in transportation and warehousing fell in the first quarter.

Data Source: Statistics Canada

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Regional Airports in BC

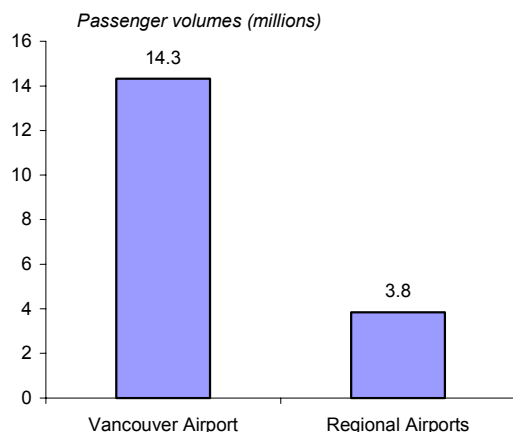
British Columbia's regional airports recorded nearly four million passengers passing through their gates last year—close to the total population of BC. This report examines recent trends in regional airports, and considers their role in BC tourism.

There are 21 regional airports in BC, most of which are very small. Two-thirds of the regional airports have a market share of less than 3% each. At the other end, the two largest regional airports—Victoria and Kelowna—together manage more than half (53%) of all regional airport passengers.

Combined, the regional airports reported 3.8 million passenger counts in 2003. This is up from 3.3 million passenger counts in 1997 (+17%).

The Vancouver International Airport reported 14.3 million passenger counts in 2003—almost three times more than all the regional airports combined.

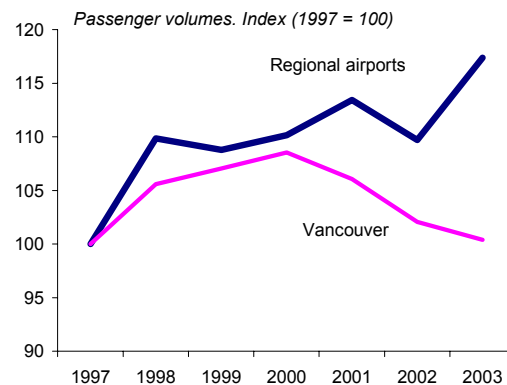
Vancouver airport nearly three times larger than regional airports combined



In recent years there has been a significant decline in passenger traffic at the Vancouver airport. Passenger counts are down 3% from 1997,

representing a drop of about half a million people. However, the increasing traffic at the regional airports has left overall airport passenger counts unchanged.

Regional airports busier as Vancouver declines



Total traffic volume at all of these airports in BC amounted to 18.2 million passengers in 2003, up marginally from 18.1 million in 1997.

Regional airports managed 21% of total traffic in 2003, up from 18% in 1997. Thus, traffic patterns at BC airports are changing—shifting away from the “hub” towards the smaller airports.

However, shifting patterns of airport use is not the only story. On a per capita basis passenger volumes are lower than in the late 1990s.

In 1997, there were 4.6 passenger counts per capita in BC. By 2000, traffic had risen to 4.9 per capita. Over the last three years, passenger counts have fallen to 4.4 per capita—down 4.5% from 1997.

Thus, despite the growth of regional airport traffic, BC's overall air passenger transportation system is struggling.

A note on the data and sources:

Passenger counts were reported directly by the regional airports in BC. Nanaimo data were collected from reports by Grant Thornton. Data for the Port Hardy and Penticton airports were not reported. These are both very small airports, and result in only a negligible undercount. Two small airports, Cranbrook and Powell River, did not provide data for all years. In these cases, data for the missing years was estimated. Finally, in Castlegar, counts were available only for passengers boarding planes. These data were used to estimate the number of passengers disembarking at that airport.

With the exception of Port Hardy and Penticton, this report covers all of the airports designated by Transport Canada as national, regional, or local. Smaller airstrips that do not have regularly scheduled passenger service are not included.

Background: The Decentralization of BC Airports

Until the early 1990s, virtually all airports in Canada were owned and operated by the federal government. A decentralization policy, laid out in the mid-1990s, was grounded in the idea that “locally-owned and operated airports are able to function in a more commercial and cost-efficient manner, are more responsive to local needs and are better able to match levels of service to local demands”¹.

Since the mid-1990s, Transport Canada has divested virtually all of its regional airports. However, this was not a policy of privatization. Ownership and operations has been transferred to municipal governments or non-profit airport authorities. Only two regional airports in BC—Port Hardy and Penticton—are still operated by Transport Canada.

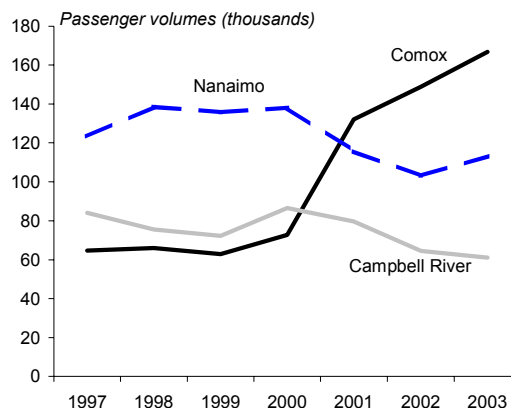
For the three regional airports in BC that are part of the National Airports System—Victoria, Kelowna, and Prince George—ownership has been retained by Transport Canada but operations are managed by a local non-profit authority.

At virtually all BC airports, operations had been transferred to local authorities by 1997. This report looks at the regional airports for the years since decentralization: 1997 to 2003.

Regional competition

Most of the regional airports in BC are served by Jazz, Air Canada’s regional airline. There are two small carriers that specialize in service to northern BC—Central Mountain Air and Hawkair. Since 1996, WestJet has emerged as a highly competitive, low-cost airline now operating out of six BC airports.

Competition between airlines, in some places, has led to competition between airports. The cluster of airports in mid-Vancouver Island—Comox, Nanaimo, and Campbell River—is a good illustration. In 2001, WestJet established a direct flight from Calgary to Comox. Passenger counts have exploded at Comox, rising 130% between 2000 and 2003. However, passengers dropped 18% at Nanaimo, and 29% Campbell River. The combined increase in passengers at the three airports was small—only 8%.



A similar pattern is showing in the passenger traffic at Vancouver and Abbotsford. In 1997, the Abbotsford airport was rarely used, having a traffic volume similar to Cranbrook. However, WestJet has since made Abbotsford a major base of operations. Last year, Abbotsford was the third largest airport in BC, with a 451% growth in passengers since 1997. At the same

¹ <http://www.tc.gc.ca/programs/airports/policy/nap/NAP.htm>

time, domestic passenger traffic in Vancouver fell 9%, due at least in part to competition from Abbotsford.

This sort of competition may give airports a stronger incentive to reduce their operating costs, improve passenger services, and the like.

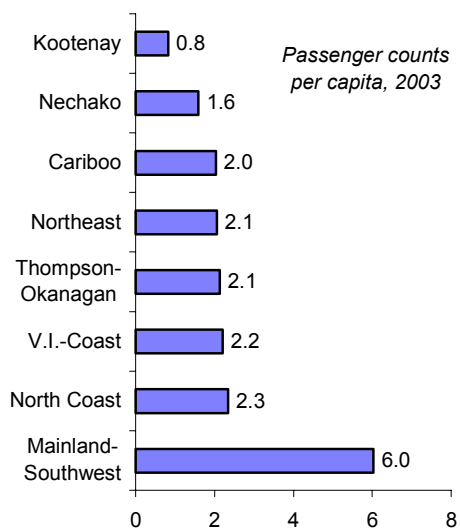
Development Regions

Aggregating the airport statistics into the standard development regions of the province provides a broad overview of the regional system.

The regional airports seem well distributed across the province. Most regions of BC have several local airports, and their size, for the most part, matches the local population.

In the Mainland/Southwest region, there were 6.0 passenger counts per capita in 2003, owing to the massive presence of Vancouver International. The lowest number of passengers per capita was in the Kooteney region (0.8). This region includes much of the BC Rockies, and the Calgary International Airport likely services a good part of the region's air traffic. In the other regions of the province, passenger counts are quite consistent, at a little over 2 per capita.

Most Regions of BC have Similar Air Traffic Volumes



The regions of BC, excluding Mainland-Southwest and Kooteney, seem more or less equally served by their regional airport systems. Vancouver Island, Thompson-Okanagan, Cariboo, Northeast, and North Coast all have roughly the same traffic volumes on a per capita basis.

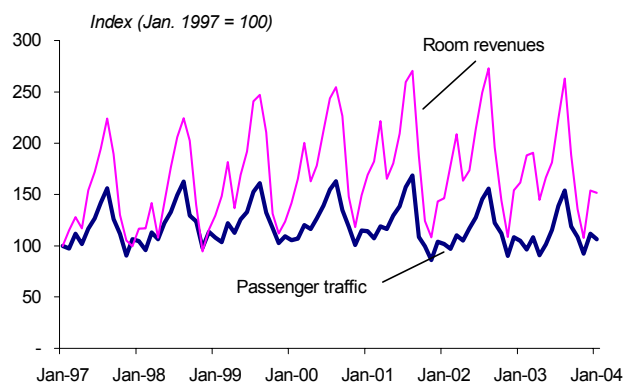
Nevertheless, proximity to BC's major international airport in Vancouver—which handles almost 80% of the province's passenger traffic—remains a crucial factor. For example, a bus ride from downtown Victoria to Vancouver International Airport takes little more than three hours. From Prince Rupert, the bus ride is 24 hours.

Air Traffic and BC Tourism

Regional passenger traffic has an uneven relationship with tourism room revenues. In some parts of the province, airports are an important part of the tourism transportation system. In other places, passenger volumes have little if anything to do with the local tourism economy. Two BC airports serve as illustrations: Vancouver and Prince George.

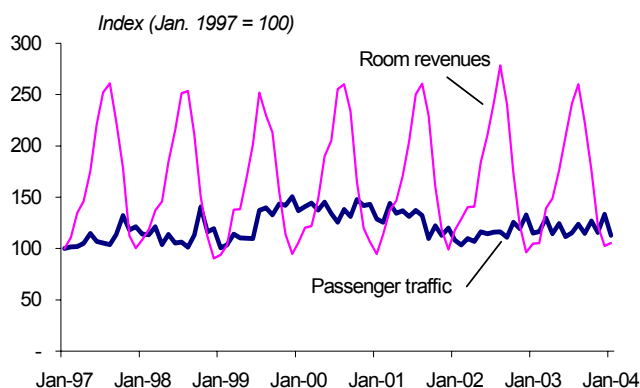
In the Mainland/Southwest region, monthly room revenues are closely correlated with passenger counts at the Vancouver airport.

Passenger Traffic at Vancouver Airport Closely Related to Room Revenues




In the Cariboo region, things look rather different. Traffic volumes at the Prince George Airport—the only airport in Cariboo—have no relation at all to the region’s room revenues. Indeed, passenger traffic does not even show a seasonal pattern, in sharp contrast to room revenues. It seems that in the Cariboo region tourists are not a major part of airport traffic.

Room Revenues in Cariboo Unrelated to Passenger Traffic



There is not sufficient monthly data readily available for a more in-depth analysis. However, it appears that the Prince George airport is fairly representative of the regional airports. For the Victoria and Kelowna airports—the two largest regional airports—there is a statistical correlation between room revenues and passenger counts, but it is not very strong. Even these airports are transporting, at best, a small share of the region’s tourist traffic.

In short, it seems that most of the regional airports primarily serve the transportation needs of local residents, and only have a secondary function as part of the tourism infrastructure.

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BC at a glance . . .

POPULATION (thousands)	Jan 1/04	% change on one year ago
BC	4,168.1	1.0
Canada	31,752.8	0.9
GDP and INCOME		% change on one year ago
<i>(BC - at market prices)</i>	2003	
Gross Domestic Product (GDP) (\$ millions)	142,418	5.1
GDP (\$ 1997 millions)	130,914	2.2
GDP (\$ 1997 per Capita)	31,572	1.4
Personal Disposable Income (\$ 1997 per Capita)	19,495	-0.4
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	3,329	4.6
Merchandise Exports - Mar	2,470	0.5
Retail Sales - Mar	3,613	2.1
CONSUMER PRICE INDEX		12-month avg % change
<i>(all items - 1992=100)</i>	Apr '04	
BC	122.4	1.6
Canada	123.9	1.8
LABOUR FORCE (thousands)		% change on prev. month
<i>(seasonally adjusted)</i>	May '04	
Labour Force - BC	2,227	0.8
Employed - BC	2,053	0.7
Unemployed - BC	174	1.3
		Apr '04
Unemployment Rate - BC (percent)	7.8	7.7
Unemployment Rate - Canada (percent)	7.2	7.3
INTEREST RATES (percent)	Jun 2/04	Jun 4/03
Prime Business Rate	3.75	5.00
Conventional Mortgages - 1 year	4.55	4.95
- 5 year	6.50	6.00
US/CANADA EXCHANGE RATE	Jun 2/04	Jun 4/03
<i>(avg. noon spot rate) Cdn \$</i>	1.3616	1.3574
<i>US \$ (reciprocal of the closing rate)</i>	0.7341	0.7371
AVERAGE WEEKLY WAGE RATE		% change on one year ago
<i>(industrial aggregate - dollars)</i>	May '04	
BC	671.73	-1.8
Canada	680.24	2.6
SOURCES:		
Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada		
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics		
For latest Weekly Financial Statistics see www.bankofcanada.ca		

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- Tourism Sector Monitor, May 2004

Next week

- Labour Force Statistics, May 2004
- Earnings & Employment Trends, May 2004
- Exports, April 2004