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Are Vancouver Island communities really lacking in entrepreneurship?

A recent report by the Canadian Federation of Independent Business (CFIB) called [Communities in Boom](#) provided a ranking of the most entrepreneurial cities in Canada.

Six cities in the ICET region of Vancouver Island are on the list of 107 cities that were ranked, including the two lowest rankings in all of Canada for Courtenay and Duncan. (The rankings are based on urban areas so include surrounding municipalities and rural areas, such as Comox in the Courtenay area and North Cowichan in the Duncan area). Nanaimo, Port Alberni and Campbell River are also in the bottom half of the national rankings while Parksville ranks the highest at 44th. What is it about these Vancouver Island communities that is leading to such poor performance and is it a genuine cause for concern?

The study includes 14 variables grouped into three categories: (i) **Presence** represents the scale and growth in the number of businesses; (ii) **Perspective** is based on survey responses measuring optimism and growth plans; and (iii) **Policy** is a mix of data and survey responses measuring the local government tax and regulatory burden.

Only 25% of the overall weight of the index is based on **Presence**, which is the only part of the index that measures what is actually happening with business growth and the level of entrepreneurship. The other 75% is based on how businesses feel about the future and their local business climate, under the assumption that these attitudes are correlated with future entrepreneurial activity.

Looking only at the Presence category (including growth from mid-2012 to mid-2013 in the number of business establishments, the total number of establishments relative to population, the rate of self-employment, and the share of employment in the information and culture sector), the picture is much better on Vancouver Island:

- Parksville ranks 3rd of the 107 cities in Canada (up from 44th overall)
- Courtenay ranks 15th (up from 106th overall)
- Nanaimo ranks 21st (up from 65th overall)
- Port Alberni ranks 29th (up from 77th overall)
- Campbell River ranks 71st (up from 83rd overall)
- Duncan ranks 74th (up from 107th overall).

Including the percentage of employment in information and cultural industries is rather curious. The given rationale is that "successful entrepreneurs often see opportunities to take ideas and processes from one sector and apply them to another." The authors claim that "higher numbers of information and cultural business establishments ...suggests a greater local appetite for information." While the rationale is sound, they are saying that newspapers, local book publishers and local TV stations are the best indicator of transmitting expertise across sectors? There would seem to be other indicators that better capture the effect that CFIB is attempting to measure, such as using workforce education and training, the knowledge content of industries, or the percentage of industries that are typically traded outside the local area, all of which are correlated with growth and higher productivity.

Removing the information and cultural variable and basing performance only on business growth in the last year, the ratio of establishments to population and the level of self-employment, all Vancouver Island communities rank in the top third of the nation:

- Parksville is 1st
- Courtenay is 4th
- Nanaimo is 10th
- Campbell River is 23rd
- Duncan is 31st
- Port Alberni is 32nd

This is a much rosier picture of business growth and entrepreneurial performance in the region, but the study also contains some sobering results.

The **Perspective** variables measure expectations of future business performance and hiring, general life satisfaction (which is claimed to be correlated to new business creation) and the number of building permits as an indicator of new investment.

All 6 cities in the ICET region rank in the bottom quarter on these variables nationwide, with Parksville ranking highest at 80th (out of 107). If this negative outlook is translated into lower growth and entrepreneurship in coming years, regional performance is likely to worsen.

The final **Policy** category includes the ratio of commercial to residential property tax rates, whether or not the central community has BizPaL, and several survey measures of business attitude about local government costs, regulations, and sensitivity to business.

This category makes up 40% of the overall index. Campbell River and Port Alberni are both in the top half of the national rankings (37th and 40th, respectively). Nanaimo and Parksville are in the lower middle (59th and 77th) while Duncan and Courtenay are near the bottom (100th and 103rd). In part this is because Courtenay and Duncan do not have BizPaL (although North Cowichan, which has far more people than Duncan, does have BizPaL).

The rankings of commercial to residential property tax ratio are also something that local governments can control - Port Alberni and Campbell River rank in the top half of the nation (28th and 41st) while the other four rank between 71st and 89th.

In conclusion, there are two main takeaways from this study. The first is that actual performance in business growth and entrepreneurship has been relatively positive on Vancouver Island. Comparisons with the 2012 results show improved performance in entrepreneurial "presence" in all six communities in the region for 2013. The second is that business community attitudes toward the future and toward the local government policy environment are quite negative. If this continues it is likely to have repercussions for the rate of future business growth and entrepreneurship in the region.

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