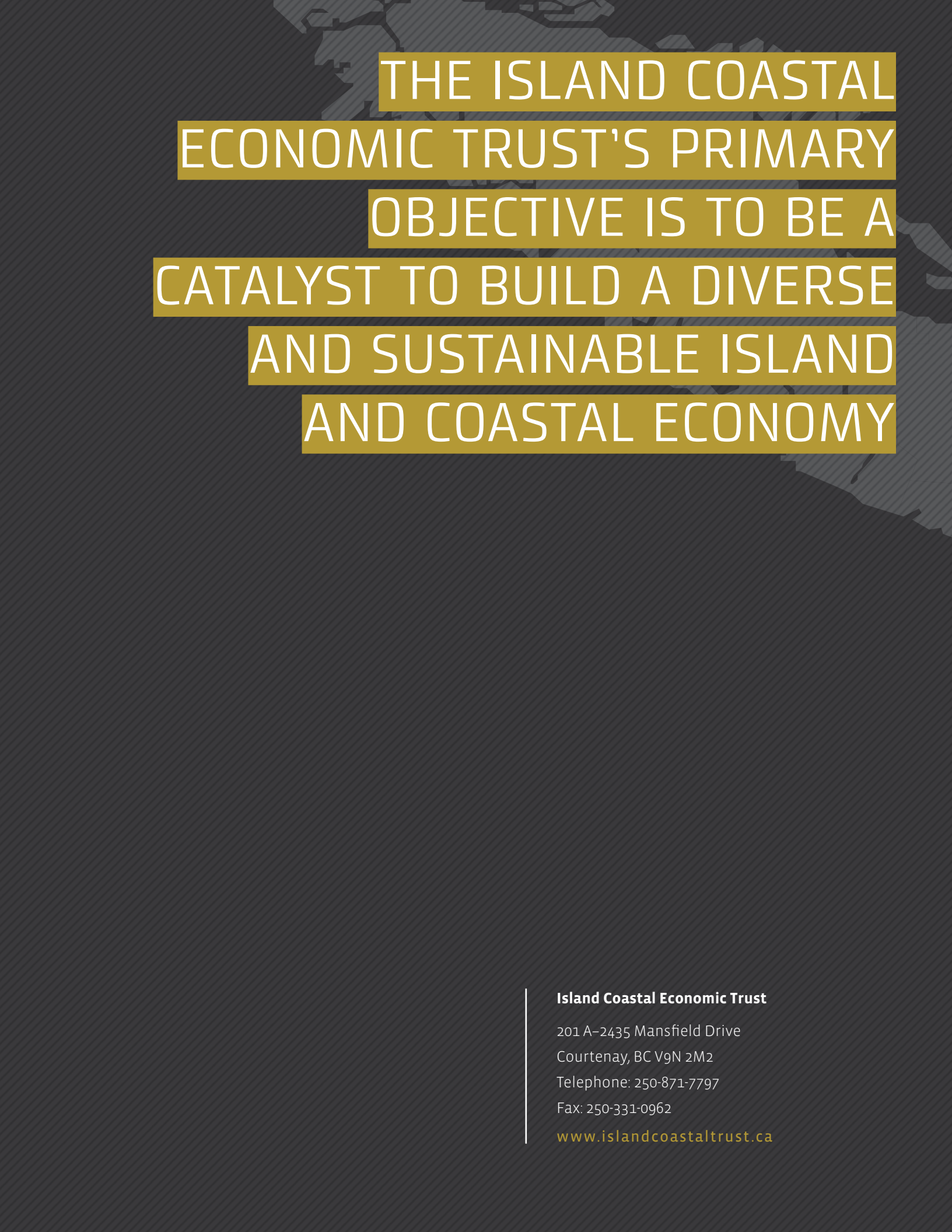


ISLAND COASTAL ECONOMIC TRUST

Strategic Plan

2014–2016



THE ISLAND COASTAL
ECONOMIC TRUST'S PRIMARY
OBJECTIVE IS TO BE A
CATALYST TO BUILD A DIVERSE
AND SUSTAINABLE ISLAND
AND COASTAL ECONOMY

Island Coastal Economic Trust

201 A-2435 Mansfield Drive

Courtenay, BC V9N 2M2

Telephone: 250-871-7797

Fax: 250-331-0962

www.islandcoastaltrust.ca



CONTENTS

- 1** About the Island Coastal Economic Trust
- 7** Strategic Planning Process
- 10** Environmental Scan
- 15** Mission, Vision, and Values
- 18** Strategic Priorities and Actions 2014–2016
- 27** Key Performance Targets

APPENDIX 1

- 28** Regional Economic Update

ABOUT THE ISLAND COASTAL ECONOMIC TRUST



ICET REGION

Island Coastal Economic
Trust Regions

- Central South Island
- North Island — Sunshine Coast
- Other

1.1 BACKGROUND

The \$50 million Island Coastal Economic Trust (ICET) was created by the Government of British Columbia in 2006 to help diversify the economies of central and northern Vancouver Island and the Sunshine Coast.

ICET uses its funds to leverage partnerships, investments and opportunities for Island and Coastal communities, non-profit societies, First Nations, and other organizations.

ICET also makes strategic investments in targeted sectors to spark new and sustainable regional economic growth and jobs. These sectors include: forestry, transportation, tourism, mining, small business, energy, agriculture and aquaculture, and economic development.

ICET is guided by a 13-person Board and two Regional Advisory Committees (RACs). Board members are either appointed by the RACs (8 people) or by the Province (5 people). The RACs are made up of elected local government officials and MLAs. This exceptional team of local community leaders collaborates to set regional priorities and build vital multi-regional networks.

The specific region where the Trust may invest is shown on the map below and can be viewed in detail on the Trust's web page at www.islandcoastaltrust.ca

1.2 WHAT WE DO

ICET's mission is to be a partner and catalyst to build a diverse and sustainable Island and Coastal Economy. This mission is primarily achieved through strategic investments in key economic sectors, leveraging new funding and investment to the region, improving community economic development readiness and fostering regional collaboration and planning. Guided by its governing legislation, ICET invests its funds in projects that enhance the region's competitive position in eight key sectors: forestry, transportation, tourism, mining, small business, energy, agriculture and aquaculture, and economic development.

ICET GRANT PROGRAMS

ICET invests its funds primarily through two core grant programs. The Economic Infrastructure Program supports the development of a wide range of economic development infrastructure projects in targeted sectors. The Economic Development Readiness Program supports the growth of economic development readiness in communities and may be used to develop economic development tools, economic strategies, regional marketing and investment attraction initiatives or for other activities focused on economic growth. ICET also provides sponsorship funding for a few select regional or provincial events and collaborates on partnership initiatives such as sectoral studies and regional economic development networking opportunities.

1.3 WHO WE ARE

TRUST GOVERNANCE

ICET's governance is defined in its legislation, the *North Island Coast Development Initiative Trust Act*.

BOARD OF DIRECTORS

ICET is governed by a 13-member Board of Directors, eight of whom are appointed by two Regional Advisory Committees (RACs) that represent the Central South Island Region and the North–Island Sunshine Coast Region. The other five Directors are appointed by BC’s Lieutenant Governor in Council.

The Board occupies a central role in ICET’s governance. It is responsible for guiding the organization’s strategic direction, providing management oversight, and making all final funding decisions. The ICET Board provides direction to the Chief Executive Officer, who in turn is responsible for ICET’s daily operations. The Board includes representatives from diverse areas, including the largest and smallest communities in the region. This diverse Board, complemented by the specific expertise contributed by the provincial appointees, brings an exceptional skill set and wide ranging perspectives to the table at each monthly meeting.

REGIONAL ADVISORY COMMITTEES

The ICET Board is advised by two Regional Advisory Committees comprised of the mayors, chairs or other elected representatives from each regional district and Members of the Legislative Assembly from the region. Regional Advisory Committees meet three or four times a year to review all funding applications to the Trust, and provide advice to the Board on strategic issues. The Chairs from each of the RACs attend Board meetings as ex officio members.

The Regional Advisory Committees play a key role in ICET’s operations. Their regional knowledge and ground truth perspective provides the Board with a stronger regional understanding of issues, projects and partnerships. The RACs also bring the region’s voice to the table in the development of strategy and policy, thereby ensuring that no community is left unheard.

STAFF

ICET is managed by a core staff of two, including the Chief Executive Officer and a Project and Corporate Administrator. Finances and investments are managed by a contract Chief Financial Officer with a team of accounting and financial professionals. Additional consultants are used for due diligence, communications and other specialized duties on an as-needed basis to provide ICET with the high level expertise needed for the diverse nature of its work.

1.4 BOARD OF DIRECTORS

Mayor Phil Kent, Duncan – *Board Chair*
 Camela Tang, Provincial Appointee – *Vice Chair*
 Mayor Gerry Furney, Port McNeill – *Board Treasurer*
 Mayor Bev Parnham, Port Hardy – *Board Secretary*
 Dallas Smith, Provincial Appointee – *Member at Large*
 Mayor John Henderson, Sechelt
 Mayor Rob Hutchins, Ladysmith
 Mayor Edward Lewis, Zeballos
 Dave Mannix, Provincial Appointee
 Arlette Raaen, Provincial Appointee
 Mayor John Ruttan, Nanaimo
 Joe Stanhope, Chair, Nanaimo Regional District
 Kevin Tevington, Provincial Appointee

1.5 REGIONAL ADVISORY COMMITTEE MEMBERS

NISCRAC MEMBERS (NORTH ISLAND-SUNSHINE COAST REGIONAL ADVISORY COMMITTEE)

Mayor Teunis Westbroek, Qualicum Beach – RAC Chair
 Mayor Paul Ives, Comox – RAC Vice-Chair
 Jim Abram, Chair, Strathcona Regional District
 Mayor Jan Allen, Port Alice
 Mayor Craig Anderson, Gold River
 Mayor Leslie Baird, Cumberland
 Mayor Michael Berry, Alert Bay
 Mayor John Douglas, Port Alberni
 Gary Feschuk, Chief Councillor, Sechelt Indian Government District
 Mayor Dave Formosa, Powell River
 Scott Fraser, MLA, Alberni-Qualicum
 Mayor Gerry Furney, Port McNeill
 Edwin Grieve, Chair, Comox Valley Regional District
 Mayor John Henderson, Sechelt
 Mayor Bill Irving, Ucluelet
 Mayor Walter Jakeway, Campbell River
 Mayor Larry Jangula, Courtenay

Mayor Edward Lewis, Zeballos
 Mayor John MacDonald, Sayward
 Honourable Don McRae, MLA, Comox Valley
 Garry Nohr, Chair, Sunshine Coast Regional District
 Mayor Josie Osborne, Tofino
 Colin Palmer, Chair, Powell River Regional District
 Mayor Bev Parnham, Port Hardy
 Mayor Wayne Rowe, Gibsons
 Dave Rushton, Chair, Mt.Waddington Regional District
 Mayor Jude Schooner, Tahsis
 Nicholas Simons, MLA, Powell River-Sunshine Coast
 Cindy Solda, Chair, Alberni-Clayoquot Regional District
 Claire Trevena, MLA, North Island

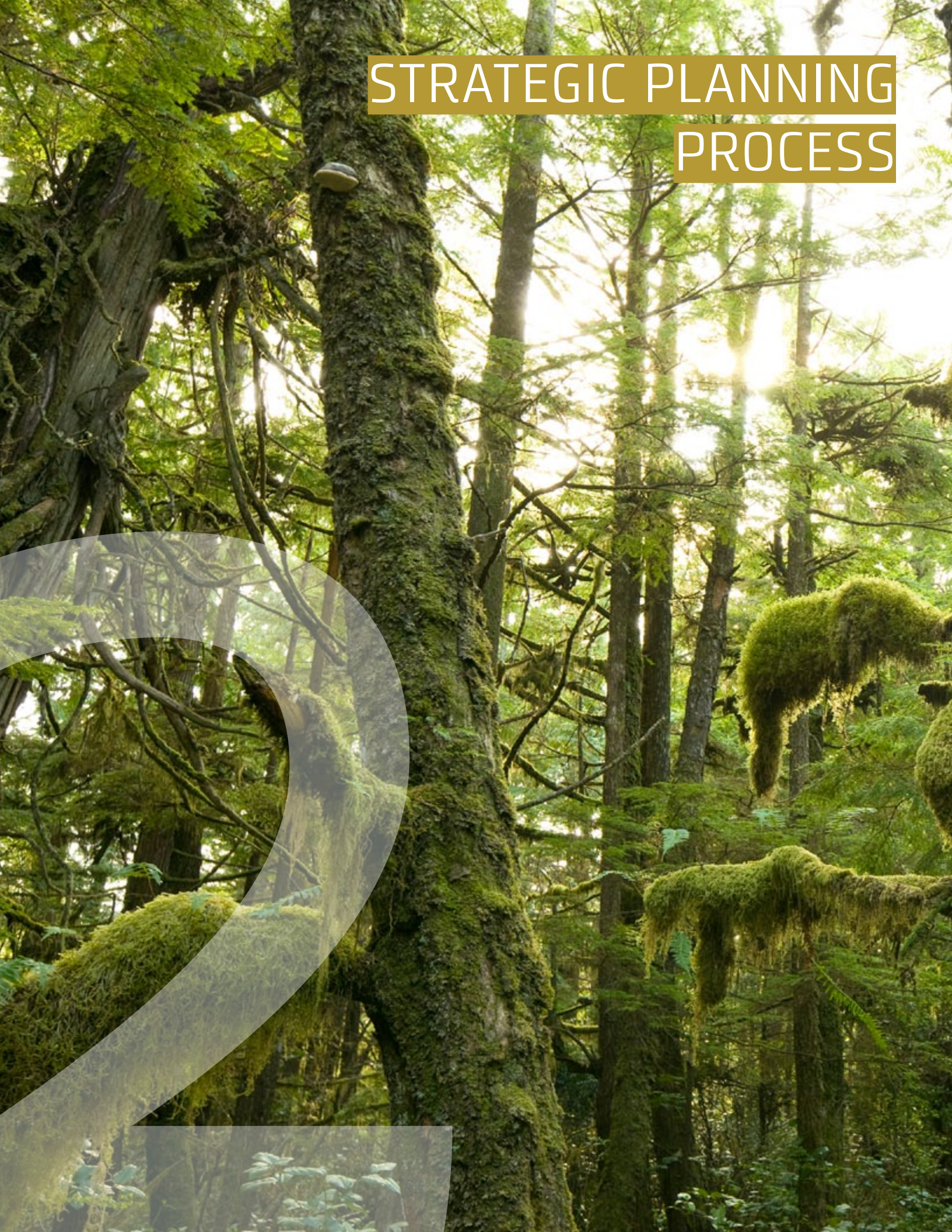
CSIRAC MEMBERS (CENTRAL SOUTH ISLAND REGIONAL ADVISORY COMMITTEE)

Gerry Giles, Director, Cowichan Valley Regional District –
RAC Chair
 Joe Stanhope, Chair, Nanaimo Regional District –
RAC Vice-Chair
 Mayor Chris Burger, Parksville
 Mayor Jack deJong, Lantzville
 Mayor Ross Forrest, Lake Cowichan
 George Holme, Director Area “E”, Regional District of Nanaimo
 Mayor Rob Hutchins, Ladysmith and Chair, Cowichan Valley Regional District
 Mayor Phil Kent, Duncan
 Leonard Krog, MLA, Nanaimo
 Mayor John Lefebure, North Cowichan
 Bill Routley, MLA, Cowichan Valley
 Doug Routley, MLA, Nanaimo-North Cowichan
 Mayor John Ruttan, Nanaimo
 Michelle Stilwell, MLA, Parksville-Qualicum

1.6 ICET STAFF

Line Robert, CEO
 Donna Cloutier, Chief Financial Officer
 Denice Regnier, Project and Corporate Administrator

STRATEGIC PLANNING PROCESS



The legislation governing the Trust (Section 14(1)a of the Act) requires that the directors of the Trust must:

“Each year establish a 3 year strategic plan for the North Island-Coast Development Initiative Trust including goals for each year of the strategic plan relating to the fulfillment of the purposes identified in section 20 in relation to the Regional Account from Section 14(1)a of the Act.”



The first ICET strategic plan was developed as a result of a comprehensive stakeholder consultation process and round table discussions held in the winter of 2006 at the Mt. Washington Strategic Planning Conference. This process led to the establishment of the current ICET model of funding disbursement and operations and the first [ICET strategic plan](#), published in 2007.

Since that time, the Board has stayed focused on the original mandate and direction it was given by its stakeholders. However, the objectives and strategic priorities and actions are reviewed on an annual basis during a formal strategic planning process.

On January 17, 2014 the Board of Directors met for a one-day planning session to prepare the 2014–2016 Strategic Plan. The Board reviewed data on the current economic environment, existing opportunities and threats, and identified the most significant issues facing the Trust in the upcoming three years. With this process the Board validated the long-range vision and mission, amended its strategic objectives and identified the annual priorities, actions and targets for the 2014-2016 term.

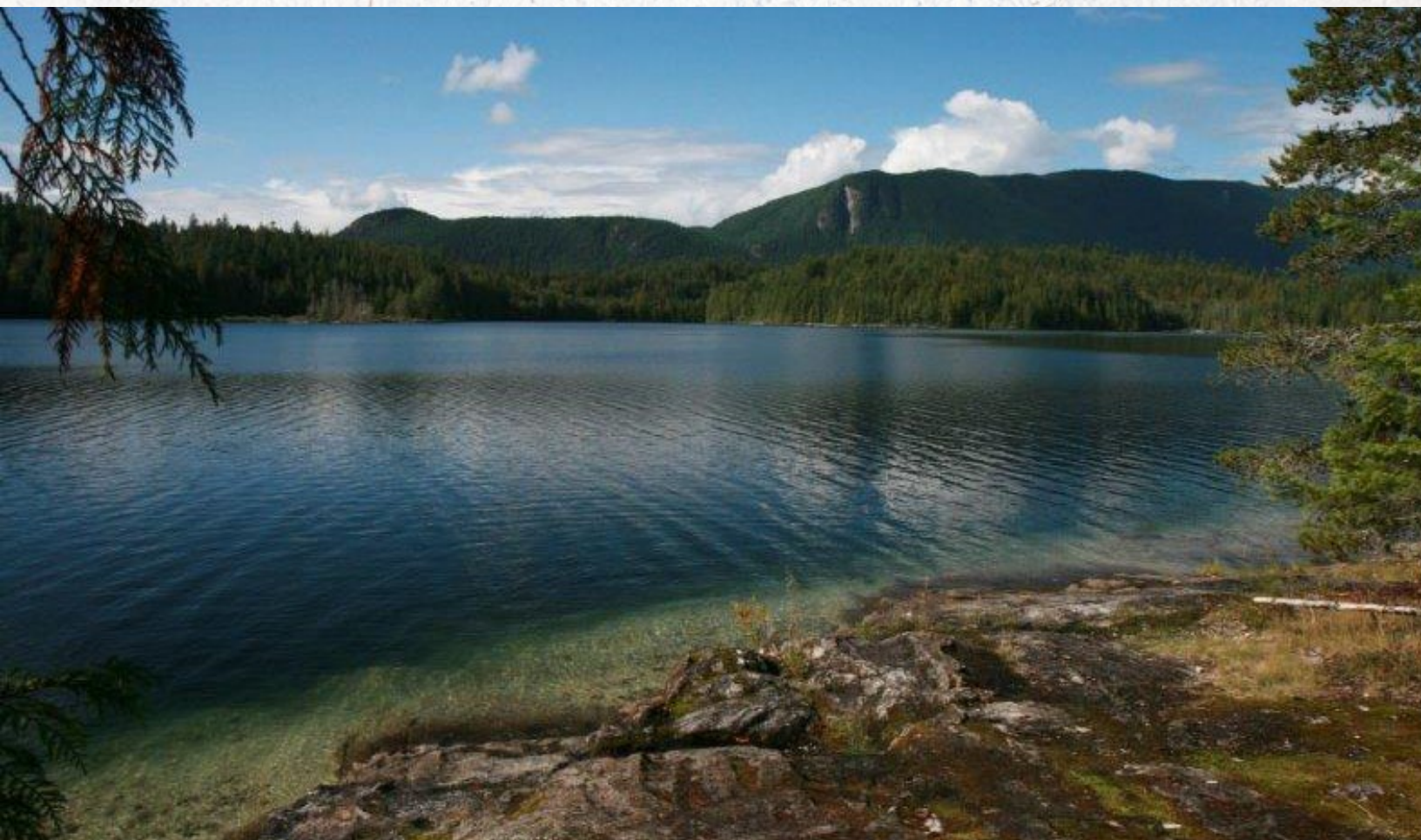
The 2014–2016 Strategic Plan is the eighth edition. To view all Strategic Plans, visit www.islandcoastaltrust.ca/strategic-plan.

2.1 FUND INVESTMENT APPROACH

The Board has approved an investment strategy for the \$50 million Regional Fund which is secure, flexible and provides the Trust with the liquidity it requires to respond to investment opportunities in key sectors and projects in short- to medium-term funds.

Trust funds are invested through the Municipal Finance Authority pooled funds. Currently ICET funds are distributed between the Money Market Fund, the Intermediate Fund, and the Bond Fund. The Trust does not invest in equities, given its short-term need for capital. The Board regularly monitors the performance of its investment funds to ensure maximum earnings and the preservation of capital, while ensuring liquidity to respond to project demands.

The total amount of funding disbursed annually will depend on the project opportunities, the Board's project investment decisions and the speed of project implementation and completion.



ENVIRONMENTAL SCAN



ICET operates in a strategic environment that is highly influenced by external forces. These external economic, political and strategic forces have direct and indirect impacts on ICET operations and strategic priorities.

ECONOMIC CONTEXT

Economic conditions in the ICET region were moderately improved in 2013 relative to the previous year. There are a number of emerging opportunities and hotspots of activity that suggest continued improvement in the years to come. Average employment over the course of the year was up 2.3%, the best performance of any BC region.

This positive outlook is tempered by continued uncertainty about economic conditions elsewhere in Canada and around the world. Most countries and regions have recovered from the severe 2008-09 recession, but only with the help of unprecedented government and central bank support through fiscal and monetary stimulus. As governments everywhere tighten their budgets to reduce deficits, and especially as central banks allow interest rates to rise with the improving economy, there is uncertainty about how solid the global economic recovery truly is. The period leading up to the 2008 crash was one of the greatest extended runs of economic performance in the last 50 years, and the next few years are likely to be considerably more variable from year to year.

Looking specifically at conditions within the ICET region, some of the notable trends and developments that influence the regional outlook include:

- Regional tourism activity has been relatively flat. Hotel occupancy was up slightly in Nanaimo and Campbell River over the last year and air traffic was down slightly in both Campbell River and Comox. The Nanaimo Airport has seen rapid growth and the addition of new passenger services (including Seattle) as well as a Federal Express processing centre. The tepid American economy and the increased cost of ferry travel have both suppressed tourist traffic, although the long-term prospects remain strong due to the quality of the product in the region.

- The forest industry is expanding and is being constrained in some parts of the Island by the growing shortage of skilled workers. Improved housing markets in Canada and the United States, as well as significant inroads into Asian markets for BC lumber, are helping to drive a recovery.
- Estimated population growth was a modest 0.2% in 2013, which is slower than the provincial average, and helps to explain the continued softness in residential construction activity. The value of residential building permits in the region was just over \$400 million for the year, down 13% from 2012 and the lowest figure since 2003.
- On the positive side, the ICET region remains the fastest-growing rural region in BC over the last five years. It has maintained positive growth each year, unlike the Southern Interior, which has a similar demographic profile and has lost residents in two of the last four years.
- Fortunately the decline in residential construction is being replaced by several massive non-residential construction projects, including the John Hart Dam project near Campbell River and new hospitals in both Campbell River and the Comox Valley. Non-residential building permit values were \$223 million for the year, up 25% over the previous year and the best year since 2007. The impact of these major projects is already being felt in those communities and will have a positive impact on direct and indirect construction activity for the duration of the projects. The Vancouver Island Construction Association is projecting a dramatic increase in non-residential construction on the Island that will be sustained for at least the next decade.

Kinsol Trestle, Cowichan Valley Trail Project



- A recent World Bank report on global fish consumption projected that global consumption of farmed fish (including shellfish) will increase by approximately 40 million tonnes between 2008 and 2030, which dwarfs BC's current production of less than 100,000 tonnes. The global market opportunity for aquaculture expansion is significant, but production in BC is lower now than it was a decade ago.
- The value of the Canadian dollar has declined significantly against the US dollar and is now closer to the 90-cent range rather than par, with some economic forecasters expecting it to continue to fall. This benefits key exporting sectors in the region such as tourism, forest products and aquaculture.

The ICET regional economy is increasingly diversified across a range of economic sectors and there is no single opportunity on the horizon that will drive the entire regional economy. Opportunities for new investment and innovative new ideas can be pursued across many sectors, whether developing new value-added resource products, coming up with a new way to showcase the region's tourism and recreation potential, or creating new intellectual property from the desktops of lifestyle-focused technology workers living throughout the region.

IMPACT ON ICET OPERATIONS

The availability of community funding to leverage ICET investments in economic infrastructure projects remains limited, due to the fiscal priorities of governments to either maintain or achieve balanced budgets. This environment of limited senior government spending can be expected to last a few more years, until governments find themselves in a stronger financial position to support increased economic development infrastructure, or urgent new priorities emerge.



Cowichan Regional Visitor Centre



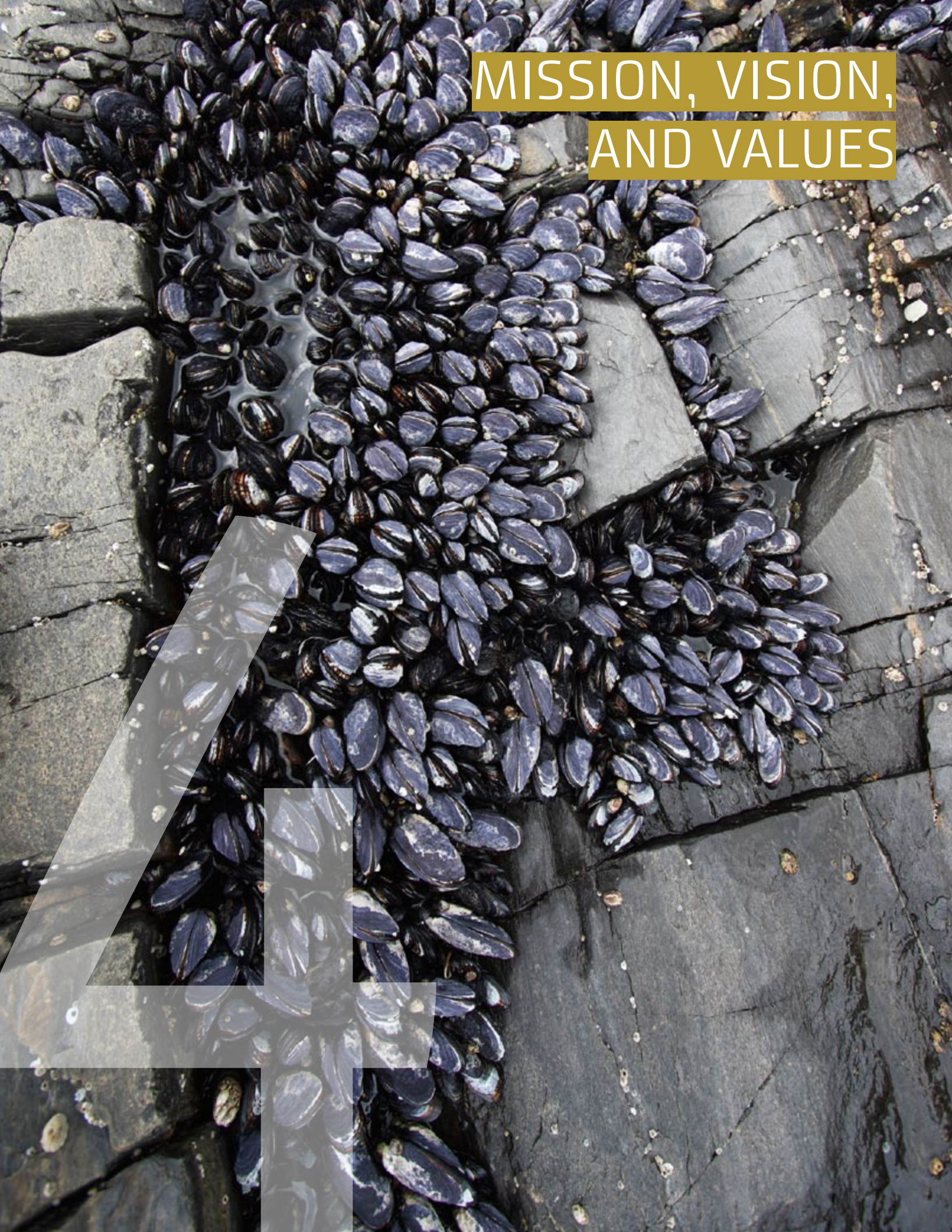
Sunshine Coast Trail, Walt Hill Tin Hut

During the 2013-2014 fiscal year ICET will have disbursed approximately \$4 million dollars to previously approved projects in varying stages of implementation and completion. The volume of new infrastructure project approvals for 2013-2014 has been similar to the past two years, with close to \$2 million in new commitments expected by March 31, 2014.

The value of new infrastructure project approvals and disbursements continues to be smaller than in ICET's first years of operations, a result of limited matching funding sources and fewer large capital projects in the region. While it is unlikely that there will be significant new sources of matching funding in the next few years, the fear generated by global uncertainty is slowly lifting, and several new larger economic infrastructure projects are being planned throughout the region. Matching funding is being sought from the private sector, local government and community fundraising. Consequently, the total number and value of new economic infrastructure projects is expected to increase in the coming year.

The launching of the new Economic Development Readiness Program has had a significant impact on project numbers, doubling the previous year's total project approvals. The program goals and quick approval process have proven to be very popular, meeting a need within the region. To date, sixteen communities have taken advantage of the opportunity to prepare economic development strategies, and to develop investment attraction strategies and tools as well as regional economic and marketing strategies. These projects will enable them to diversify their local economies and increase their level of readiness for new opportunities as the regional economy diversifies and recovers.

The most significant internal challenge facing ICET in the coming year remains the uncertainty regarding future funding and the impact on its ability to maintain operations into the coming years. To date ICET has committed more than \$47 million of its original \$50 million funding allocation. The organization has also transferred \$2.3 million of its investment surplus into the project fund to sustain new project funding allocations for the short term. However, a commitment for future funding will be required in order to secure operations and project funding for the full three years covered by this strategic plan.

The background of the slide is a photograph of a rocky shore covered in a dense colony of blue mussels. The mussels are dark blue with lighter, silvery-grey edges. They are attached to dark, wet, and cracked rocks. A large, semi-transparent, stylized number '4' is overlaid on the left side of the image, extending from the bottom left towards the center. The text 'MISSION, VISION, AND VALUES' is positioned in the top right corner, within a yellow rectangular box.

MISSION, VISION, AND VALUES

MISSION

The Trust is a partner and catalyst to build a diverse and sustainable Island and Coastal economy.

LONG-RANGE
VISION

The North Island and Sunshine Coast area is a diversified, globally competitive regional economy.

VALUES

Integrity
Transparency
Accountability
Collaboration



STRATEGIC OBJECTIVES

LEVERAGE economic development and diversification investment in the ICET region

INVEST in the development of key economic development infrastructure

IMPROVE the environment required for increased investment attraction and job creation

ADVANCE regional collaboration and planning

MAXIMIZE the impact of Trust resources through increased efficiency, responsiveness and implementation of best practices



Cowichan Valley Visitor's Center grand opening



STRATEGIC PRIORITIES AND ACTIONS 2014–2016

1

LEVERAGE ECONOMIC DEVELOPMENT AND DIVERSIFICATION INVESTMENT IN THE ICET REGION

For a detailed summary of strategic priorities, actions, targets and timelines, download the [ICET Workplan](#)

ICET will use its \$50 million endowment as a lever to attract incremental investment from other levels of government, non-government sources of funding, community as well as private sector investment, in individual project investments as well as larger community and regional investments.

STRATEGIC PRIORITIES 2014–2016

1.1 SEEK ADDITIONAL FUNDING FROM THE PROVINCE OF BRITISH COLUMBIA

Key Actions 2014

- A) Liaise with Provincial Government

Actions 2015–2016

- A) *Subject to new funding, review operations, systems and staffing*
- B) *Measure success of new initiatives and make necessary adjustments*
- C) *Develop and implement new targeted sector programs or measures as required*
- D) *Develop long-term financing plan for the Trust*

1.2 CONTINUE TO MAINTAIN OR EXCEED LEVERAGING TARGETS

Key Actions 2014

- A) Maintain the focus on ICET leveraging targets in the guidelines and project review process
- B) Continue to support applicants with the search for matching funding
- C) Maintain and improve existing relationships with other funders to encourage and increase funding in the ICET area

Actions 2015–2016

- A) *Continue to maintain or increase leveraging of funding to the region*
- B) *Build on existing and new relationships with funders to increase investment in ICET area*

1.3 INCREASE THE DIVERSITY OF MATCHING FUNDING PARTNERS AND FUNDING SOURCES

Key Actions 2014

- A) Maintain the focus on the diversity of sources of matching funding and non-government sources of funding in the application guideline documents and project approval process
- B) Link applicants with potential sources of non-government funding

Actions 2015–2016

- A) Continue to increase the percentage of non-government matching funding for ICET projects
- B) Continue to increase ICET profile with potential non-government funding sources

PERFORMANCE MEASURES

- Amount of funding leveraged
- Number of sources and percentage of funding leveraged
- Amount of incremental diversification investment
- Number of projects leading to economic diversification
- Percentage of projects where ICET funding is a tipping point

2

INVEST IN THE DEVELOPMENT OF KEY ECONOMIC DEVELOPMENT INFRASTRUCTURE

ICET will support strategic investment in key local and regional economic development infrastructure, with a strong focus on incremental economic benefits, economic growth and diversification, regional cooperation and long term economic and environmental sustainability through its two grant programs: the Economic Infrastructure Grant Program and the Economic Development Readiness Program.

STRATEGIC PRIORITIES 2014-2016

2.1 INCREASE THE IMPACT AND EFFICIENCY OF THE ECONOMIC INFRASTRUCTURE GRANT PROGRAM

Key Actions 2014

- A) Increase and diversify stakeholder awareness and applications to the program
- B) Increase the diversity of funding applications

Actions 2015–2016

- A) Assess programs and make any necessary changes to increase the number and diversity of applications
- B) Subject to availability of new funding, implement new infrastructure programs and make changes to existing programs as per the ICET business plan

2.2 RESEARCH AND DEVELOP NEW PROGRAMS AND INITIATIVES**Key Actions 2014**

- A) Continue to monitor the energy sector to evaluate potential ICET investment opportunities

Actions 2015–2016

- A) Target specific sectors, subject to current economic conditions, for increased ICET investment opportunities
- B) Subject to availability of new funding, develop new programs to address key regional concerns and opportunities

PERFORMANCE MEASURES

- Amount of funding invested in infrastructure
- Number of projects and communities supported
- Number of significant regional infrastructure projects
- Project performance stories

3

IMPROVE THE ENVIRONMENT REQUIRED FOR INCREASED INVESTMENT ATTRACTION AND JOB CREATION

ICET will invest in projects, planning and training to support the development of attractive, liveable and competitive investment ready communities capable of attracting high-value investment and job creation for the region.

STRATEGIC PRIORITIES 2014–2016**3.1 SUPPORT ECONOMIC DEVELOPMENT READINESS IN COMMUNITIES OF ALL SIZES****Key Actions 2014**

- A) Increase stakeholder awareness of the new Economic Development Readiness program
- B) Provide one-on-one assistance to maximize the impact of the program



Gibsons Landing Harbour Authority Dock Upgrade Project

Actions 2015–2016

- A) *Monitor success of the program and make necessary changes*
- B) *Continue to liaise with provincial government and other levels of government to optimize linkages with provincial investment attraction tools, courses and other resources*
- C) *Monitor applicant performance measurements, project follow-up and develop best practices case studies*

3.2 PROMOTE HIGH VALUE PROJECTS AND INVESTMENT IN THE ICET REGION

Key Actions 2014

- A) Maintain the focus on high-value investment in the program guidelines and project review process
- B) Share sectoral and regional statistics with applicants to support the project investment decision process
- C) Share information and best practices related to high-value projects and investment
- D) Increase regional economic development literacy

Actions 2015–2016

- A) *Increase number of new high-value investments in region*
- B) *Monitor investments and develop case studies to share with potential applicants*
- C) *Continue to share sectoral and regional statistics with stakeholders to increase economic literacy*

PERFORMANCE MEASURES

- Number of communities receiving economic readiness support
- Number of economic development readiness projects funded
- Number of new strategic plans developed, new local or regional ED corporations formed, investments attracted, attraction websites or documents developed, hosting events held, regional marketing initiatives planned
- Number of new permanent jobs created by ICET investments
- Number/type of new high-value investments attracted
- Value of incremental investments and spin-off investments generated by ICET-funded projects

4

ADVANCE**REGIONAL COLLABORATION
AND PLANNING**

- Increase in tourism to region/communities/attractions attributable to ICET-funded projects
- Increase in population, corporate tax base or other measureable indicators of community growth
- Regional and local economic development literacy and engagement in economic development

ICET will facilitate and provide financial or operational assistance to support regional collaboration, key networking or learning events as well as long-term regional or sectoral planning initiatives.

STRATEGIC PRIORITIES 2014–2016**4.1 SUPPORT REGIONAL ECONOMIC DEVELOPMENT PLANNING
AND LEARNING INITIATIVES****Key Actions 2014**

- A) Support regional visioning and planning processes with partners
- B) Continue to support regional or sectoral planning, networking or learning events related to economic development
- C) Continue to provide support for partnership studies related to regional or sectoral economic development planning
- D) Continue to support community participation in economic development training

Actions 2015–2016

- A) *Continue to support high level regional planning and community development planning, networking and learning*
- B) *Subject to availability of new funding lead a broad scope regional planning process*

4.2 FACILITATE ECONOMIC DEVELOPMENT COLLABORATION**Key Actions 2014**

- A) Continue to organize and support regular in-person meetings of the Regional Advisory Committees and Board of Directors
- B) Develop new relationships with First Nations communities and organizations

Actions 2015–2016

- A) *Continue to link stakeholders to each other and to economic opportunities*
- B) *Subject to availability of new funding research new opportunities to support regional collaboration*

4.3 PARTICIPATE AND PRESENT AT KEY ECONOMIC DEVELOPMENT EVENTS

Key Actions 2014

- A) Make presentations at key economic development or sectoral events to promote ICET, its program and best practices
- B) Participate in relevant economic development or sectoral events, conferences and courses
- C) Provide economically challenged communities with sponsorship funding to attend key regional economic development events

Actions 2015–2016

- A) *Continue to contribute to and participate in regional economic development events*
- B) *Continue to increase economic development literacy and engagement in the region*

PERFORMANCE MEASURES

- Number of regional networking/learning events funded/ supported
- Number of regional plans, initiatives developed
- Number of Regional Advisory Committee meetings
- Number of Board Meetings
- Number of presentations made to stakeholder groups
- Number of new relationships with First Nations communities
- Number of new collaborative initiatives between First Nations and communities
- Increase in regional and local economic development literacy and engagement in economic development

5

MAXIMIZE THE IMPACT OF TRUST RESOURCES THROUGH INCREASED EFFICIENCY, ACCOUNTABILITY AND IMPLEMENTATION OF BEST PRACTICES

ICET will ensure that Trust resources are maximized through frugal administrative practices, continuous improvement of operations and programs and strong accountability processes as well as the implementation and sharing of best practices to promote state-of-the-art administrative and economic development practices.

STRATEGIC PRIORITIES 2014–2016

5.1 INCREASE RECOGNITION OF ICET AND ITS POSITIVE TRACK RECORD THROUGH IMPROVED COMMUNICATIONS

Key Actions 2014

- A) Grow social media presence
- B) Share project and economic development best practices
- C) Increase media attention and reporting of ICET initiatives and regional economic news

Actions 2015–2016

- A) *Continue to grow social media presence in existing media*
- B) *Subject to availability of new funding, increase social media presence with video content*

5.2 ENSURE MAXIMUM BENEFIT OF ICET RESOURCES THROUGH CONTINUOUS OPERATIONAL IMPROVEMENT AND EFFICIENCIES

Key Actions 2014

- A) Monitor and continuously improve administrative systems, forms and documents to simplify process for applicants and increase administrative efficiency
- B) Continue to develop project case studies to measure economic impact and benefits of Trust investments
- C) Continue to match or exceed market returns on ICET investments

Actions 2014–2015

- A) *Continue to monitor and improve operational efficiency*
- B) *Continue to monitor and maximize investment returns*

5.3 IMPLEMENT BEST PRACTICES

Key Actions 2014

- A) Continue to implement management best practices on an ongoing basis
- B) Continue to implement governance best practices on an ongoing basis

Actions 2015–2016

- A) *Continue with existing “continuous improvement” management practices*
- B) *Subject to availability of new funding, implement new data management system*

PERFORMANCE MEASURES

- Number and type of new processes, forms and documents created or implemented
- Improvements in service delivery
- Project and organization evaluations and reviews
- Number and type of analysis and reports produced
- Number and type of stakeholder consultations and communications
- Quality of governance and management policies
- Number of followers on social media
- Level of stakeholder engagement on social media
- Rate of return on investments



KEY PERFORMANCE TARGETS 2014-2015



KEY
PERFORMANCE
TARGETS
2014–2016

LEVERAGE economic development and diversification
investment in the ICET region

- Secure additional funds to maintain ICET for short to medium term
- Leverage investment of more than \$3 for every dollar of ICET funding
- Maintain or increase funding leverage from non-government sources to at least 25% of total matching funding sources

INVEST in the development of key economic development infrastructure

- Disburse \$3 million to approved projects
- Approve \$2M in new projects

ADVANCE regional collaboration and planning

- Provide support for at least 3 regional economic development or sectoral networking, learning or planning events
- Develop new relationships or partnerships with at least three new industry or sectoral organizations
- Develop new long-term relationships with at least 3 First Nations communities or organizations

IMPROVE the environment required for increased investment attraction and job creation

- Provide funding for at least 12 new Economic Development Readiness initiatives
- Create at least 4.4 permanent jobs per \$100,000 in ICET investment

MAXIMIZE the impact of Trust resources through increased efficiency, responsiveness and implementation of best practices

- Increase use of ICET website for access to economic development best practices and regional statistics
- Increase number of third party and media reports about ICET, projects and region by 100%
- Grow existing social media presence by at least 100%
- Ensure a market rate of return on Trust investments

ECONOMIC UPDATE FOR 2014 ICET STRATEGIC PLAN

Prepared by Jamie Vann Struth, Consulting Economist, VANNSTRUTH Consulting Group

Economic conditions in the ICET region were moderately improved in 2013 relative to the previous year and there are a number of emerging opportunities and hotspots of activity that suggest continued improvement in the years to come.

This positive outlook is tempered by continued uncertainty about economic conditions elsewhere in Canada and around the world. Most countries and regions have recovered from the severe 2008-09 recession (with the notable exception of Europe), but only with the help of unprecedented government and central bank support through fiscal and monetary stimulus. As governments everywhere tighten their budgets to reduce deficits, and especially as central banks allow interest rates to rise with the improving economy, there is uncertainty about how solid the global economic recovery truly is. The period leading up to the 2008 crash was one of the greatest extended runs of economic performance in the last 50 years and the next few years are likely to be considerably more variable from year to year.

The ICET region economy is increasingly diversified across a range of economic sectors and there is no single opportunity on the horizon that will drive the entire regional economy. Opportunities for new investment and innovative new ideas can be pursued across many sectors, whether developing new value-added resource products, coming up with a new way to showcase the region's tourism and recreation potential, or creating new intellectual property from the desktops of lifestyle-focused technology workers living throughout the region.

The central role of people is increasingly being recognized in economic development policy and strategy, as attracting and retaining workers, entrepreneurs, investors and retirees is critical for sustaining and expanding the regional economy over the long term. This means that strategies that support local and regional quality of life, while perhaps not directly tied to economic opportunities, have an indirect benefit in making communities more attractive as a place to live and work.

SUMMARY

This 2014 Economic Update summarizes recent data on the regional economy and related issues. The key results from this year's analysis include the following:

- Regional employment in 2013 increased by 4,300 jobs (+2.3%) over the previous year, which is the best performance of any BC region. Total BC employment declined by 0.2%.
- Employment growth in the ICET region in 2013 reversed two years of decline, but total employment is still below the pre-recession level of 2008. The other rural regions in BC (Southern Interior and Northern BC) are also still below their 2008 employment level, while the Major Metropolitan areas (Victoria, Vancouver and Fraser Valley) are higher.
- Comparing ICET regional employment by sector to the pre-recession level shows that growth is clustered in sectors that are mostly public, including education, public administration and health care. The largest employment declines are in construction and real estate, retail and wholesale

trade, manufacturing (which is closely related to the resource sectors of forestry, fishing and agriculture) and the tourism-reliant accommodation and food services sector.

- Resource sector employment has been down only slightly in the last few years and there are signs of recovery in forestry due to improving housing markets in Canada and the US as well as significant inroads into Asian markets for BC lumber.
- Regional tourism activity has been relatively flat for most of the last decade. Indicators for 2013 suggest a mixed outlook, with some improvements in hotel occupancy and air and cruise traffic through Nanaimo, but declines in air and ferry traffic elsewhere and a large drop in Visitor Information Centre visits.
- The regional population increased by a modest 0.2% in 2013, but the ICET region remains the fastest-growing rural region in BC over the last five years. Positive growth has occurred each year, whereas the Southern Interior region has lost people in two of the last four years.
- The slower rate of population growth helps to explain the slowdown in residential building activity and the related decline in construction and real estate employment. The value of residential building permits in 2013 was the lowest since 2003.
- Fortunately for construction employment, there is increased activity in non-residential building, with permit values reaching their highest level since 2007. Major projects include the John Hart Dam project near Campbell River, new hospitals in both Campbell River and the Comox Valley, upgrades to Harmac Mill near Nanaimo, and a new water treatment facility in Sechelt.
- Despite a significant and growing global opportunity for aquaculture production, BC is producing less farmed finfish and shellfish than a decade ago.
- The older age profile of the region has led to concern about the long-term size of the labour force, but after a drop of nearly 20,000 people from 2010 to 2012 it grew by 6,000 people in 2013. The labour force participation rate increased, which suggests an improvement in employment opportunities in the region.
- One of the reasons that average employment incomes are lower in the ICET region is it has a higher than average share of workers who are employed part-time.



TOTAL EMPLOYMENT

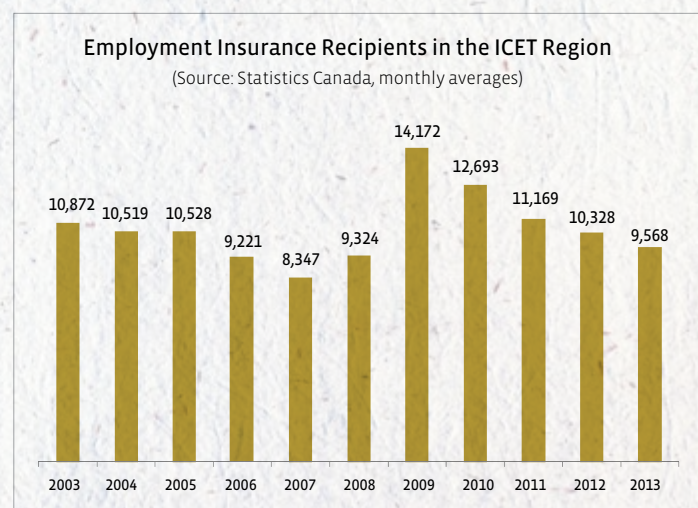
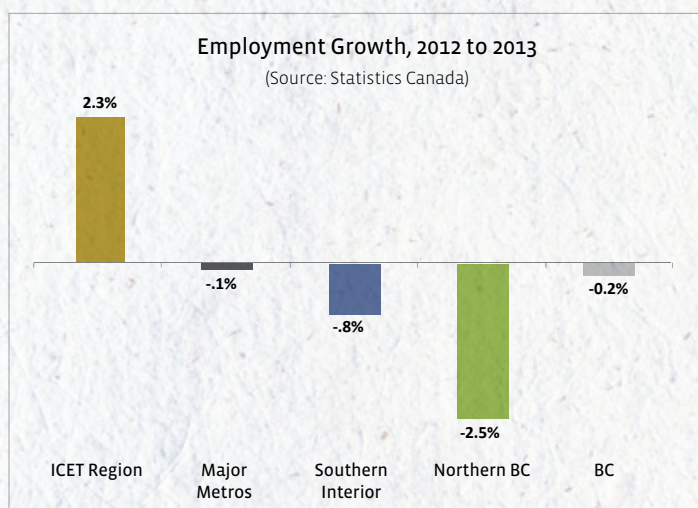
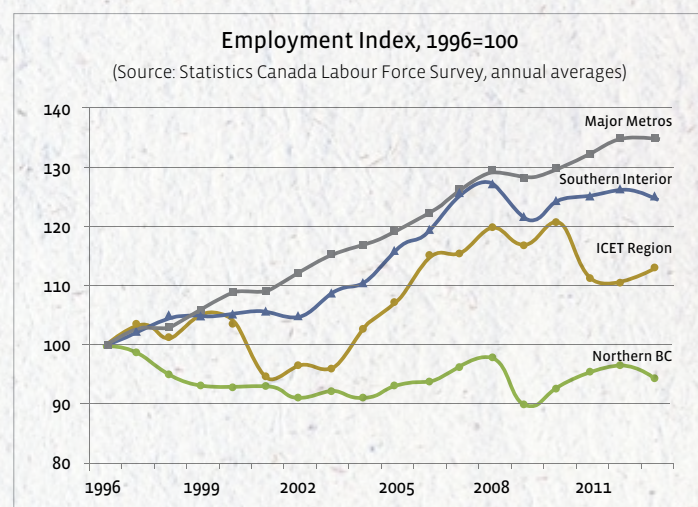
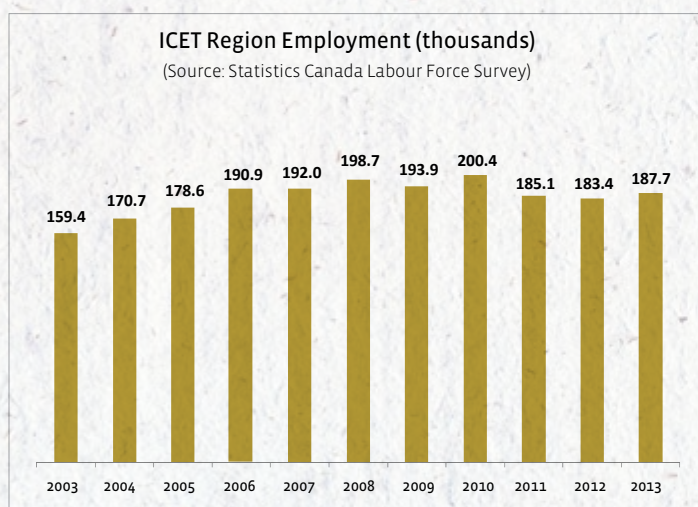
Employment in the ICET region averaged 187,700 jobs in 2013, an increase of 4,300 jobs from the previous year. While the resumption in growth is positive, total regional employment remains lower than every year from 2006 to 2010.

The 2.3% growth in regional employment in 2013 is the best performance of any BC region, as the rest of the province lost employment.

Note that caution is warranted in interpreting single years of data from the Labour Force Survey, as there is a certain amount of random variation in the numbers from year to year.

A better approach is to examine changes over a longer period of time. The ICET region is similar to both the Southern Interior and Northern BC in that employment has yet to return to the pre-recession level of 2008, whereas the Major Metros are now well above that.

The employment trends are generally consistent with the number of Employment Insurance recipients in the region. The average number of people receiving benefits on a monthly basis was about 9,600 in 2013, down from 14,200 recipients in the recession year of 2009.



EMPLOYMENT BY SECTOR

Comparing average employment by sector over the last three years (2011-2013) to the three years leading up to the financial crisis (2006-2008), indicates that most sectors in the ICET region are trending down. The few sectors that are showing growth are primarily clustered in the public sector, including education, public administration and health care.

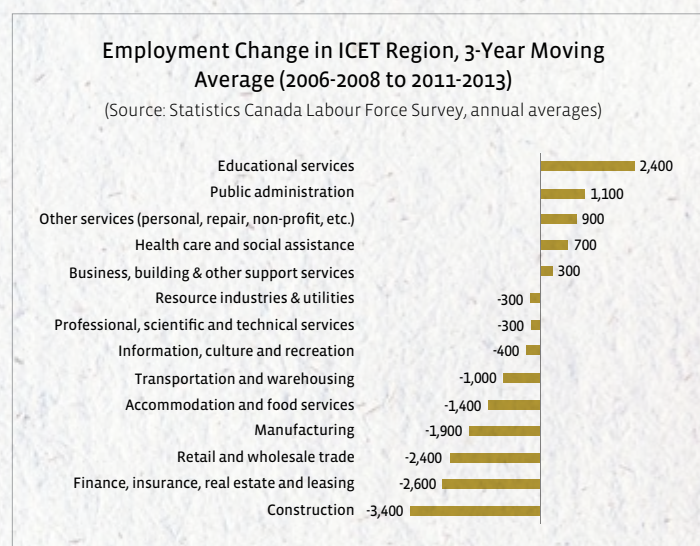
Resource industries and utilities have been relatively stable, suggesting that the long-run decline in forestry and fishing employment has been stemmed. There are signs of recovery in some parts of the resource sector, with forestry activity increasing in response to improved housing markets in Canada and the US and significant inroads into Asian markets for BC lumber. There is anecdotal evidence of increasing shortages of skilled workers in forestry that will need to be addressed to ensure the continued growth and recovery of the sector.

Manufacturing in the region, which includes sawmills, pulp mills, and seafood and other food processors, is also traditionally reliant on resource sector inputs. It has declined more sharply in the last few years. Recovery in the underlying resource sectors (such as forestry) may suggest a rebound in manufacturing, but such a rebound is not yet evident.

The mid-2000s was the peak of the real estate and building boom in the region, but a combination of the 2008 financial crash and slower population growth in the subsequent years has caused the largest job losses in the region to occur in the construction and related finance/insurance/real estate sectors.

Accommodation and food service is the best indicator for the tourism sector and it also shows a decline, although about three-quarters of restaurant receipts are for local residents so tourists are not fully to

blame. The decline in restaurant employment is likely due to the same factors that are pushing down retail and wholesale trade employment, including a poor economy (causing lower personal incomes), a slower tourism sector, and perhaps the slowdown in construction and population growth. Retailers and wholesalers may be reducing employment and holding off on expansions until population and economic growth conditions are more favourable.

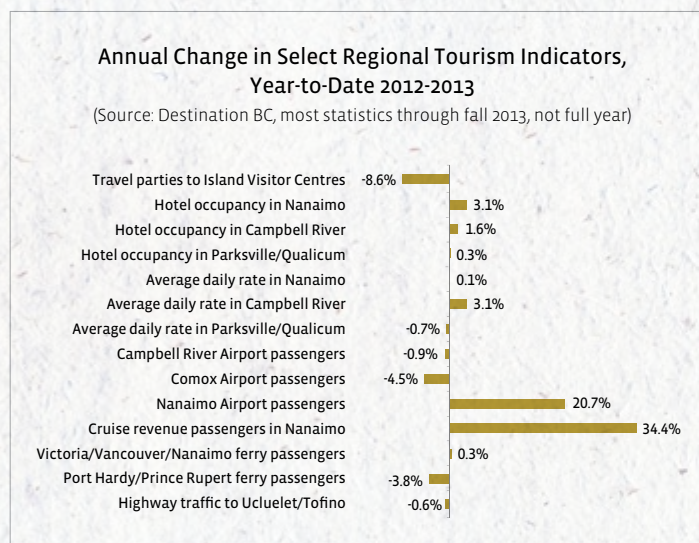


Note that the annual employment data published for the region is based on Statistics Canada's Labour Force Survey and contains a certain amount of random fluctuation from year to year. Using three-year averages, and examining trends over a multi-year period, is a more reliable way to assess whether sectors are generally trending higher, lower, or staying the same. Other sections below look at some of the region's key sectors using other non-employment indicators that often provide a more up-to-date picture of industry conditions.

TOURISM INDICATORS

Regional tourism activity has been relatively flat for most of the last decade and the trend continued in 2013. Some indicators are up and some are down and there is not yet evidence of a consistent growth trend in the region.

Hotel occupancy was up slightly in all three regional markets that are tracked (Nanaimo, Parksville/Qualicum and Campbell River) and daily room rates increased a healthy 3.1% in Campbell River (although this is due in large part to business visitors rather than recreational tourists). Air traffic was down slightly in both Campbell River and Comox but the Nanaimo Airport, due to increased investments and opening of new markets, has seen rapid growth and the addition of new passenger services (including Seattle) as well as a Federal Express processing centre.

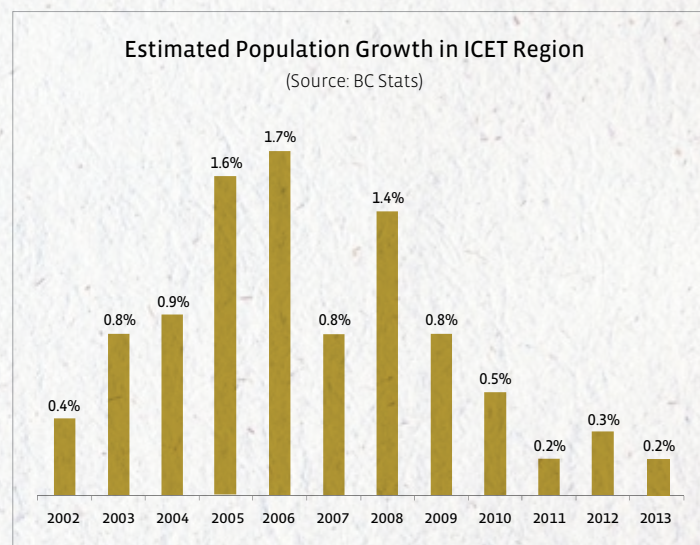


The tepid American economy and the increased cost of ferries have both suppressed tourist traffic, particularly for longer-stay visitors travelling on the Port Hardy-Prince Rupert ferry route. Fortunately the longer-term prospects for regional tourism remain strong due to the quality of the regional product.

POPULATION

BC Stats estimates that the ICET region was home to 430,000 people in 2013, an increase of 0.2% over the previous year. The ICET region has been the fastest-growing rural region in BC over the last five

years, even though the rate of growth has recently slowed significantly compared to the 2003 to 2008 period. Regional population growth was below 0.5% for the fourth consecutive year in 2013 after seven consecutive years with growth of at least 0.8%.



The ICET region has maintained a positive growth rate each year, which cannot be said for the Southern Interior region of the province, which saw population declines in two of the last four years. The Southern Interior is very similar to the ICET region in terms of demographic profile and economic structure. Northern BC, despite some of the huge economic opportunities currently being pursued in that region, has grown only half as fast as the ICET region in the last five years.

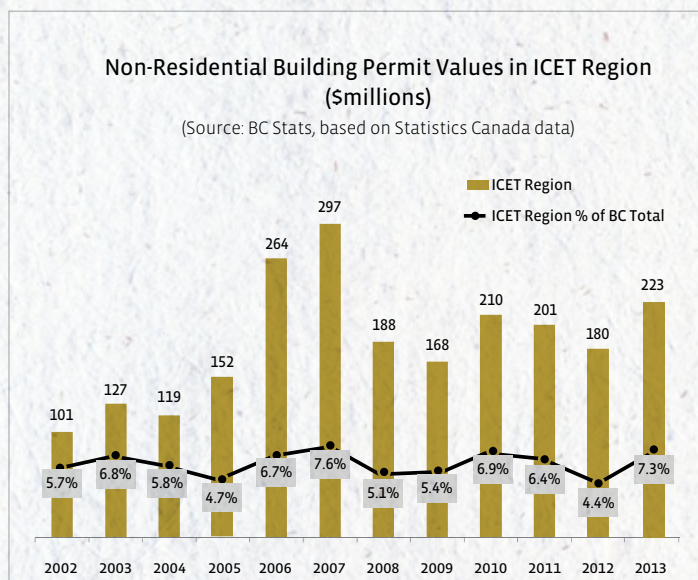
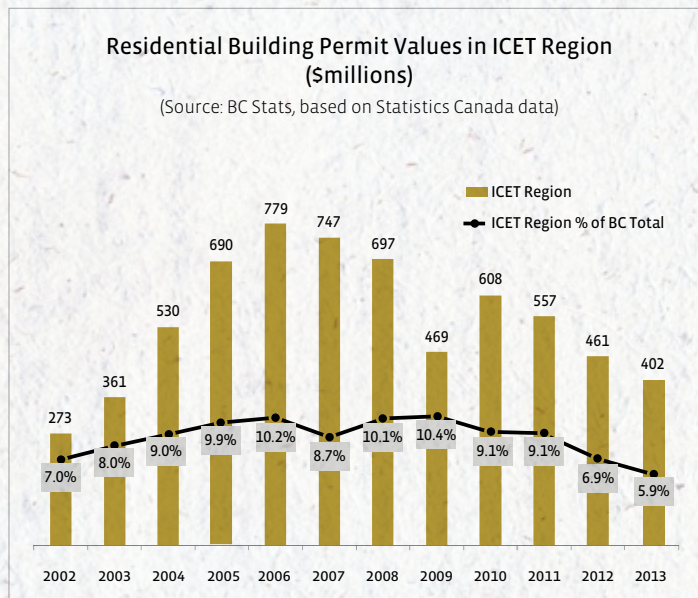
BUILDING ACTIVITY

The slower pace of population growth helps to explain the slowdown in residential building permit values and the related decline in construction and real estate employment discussed earlier. Fortunately the decline in residential building activity is being partly compensated by strong growth in non-residential construction, which is forecast by the

Vancouver Island Construction Association to remain at an elevated level for the next decade.

At \$402 million, residential permit values in 2013 were at their lowest level in the region since 2003. The region had 5.9% of total residential permit values in BC, which is its lowest share since 1987.

A total of 1,669 new housing units were included in 2013's permit applications, which is the lowest total in the region since 2001.

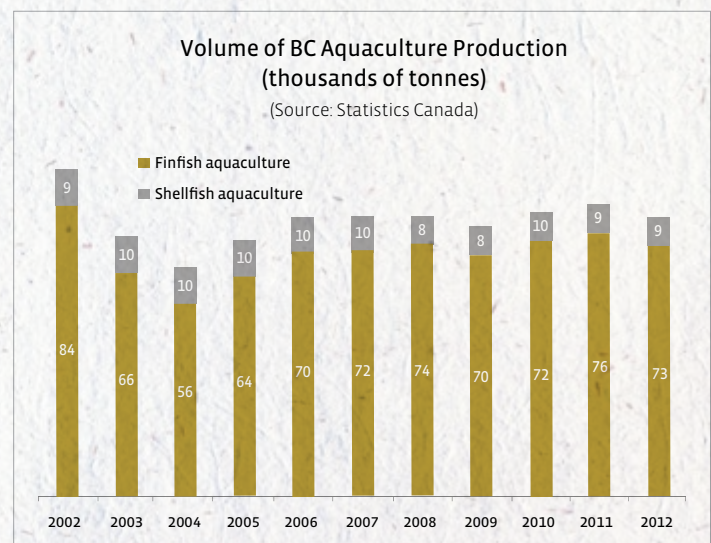


A total of \$223 million in non-residential permits were issued in the region in 2013, an increase of 24% over the previous year and the highest total in the region since 2007. The 7.3% share of total provincial investment in non-residential construction is also the highest since 2007.

Some of the significant non-residential projects underway, or expected to start soon, include the John Hart Dam project near Campbell River, new hospitals in both Campbell River and the Comox Valley, upgrades to Harmac Mill near Nanaimo, a new state-of-the-art water treatment facility in Sechelt, and various other utility, retail and industrial projects (which may not show up in the 2013 building permit figures). The outlook for sustained employment and economic activity associated with non-residential construction is very strong and is already being felt in communities like Campbell River.

AQUACULTURE

The global market potential for aquaculture products is significant and growing but is not currently being fully exploited by BC producers. (Note that aquaculture production statistics are not available separately for the ICET region but the region is home to the majority of provincial production).



A recent World Bank report on global fish consumption (Fisheries to 2030: Prospects for Fisheries and Aquaculture) highlights the economic potential of this industry over the next few decades. Global consumption of farmed fish (including shellfish) is projected to increase by over 40 million tonnes between 2008 and 2030, which dwarfs BC's current production of less than 100,000 tonnes.

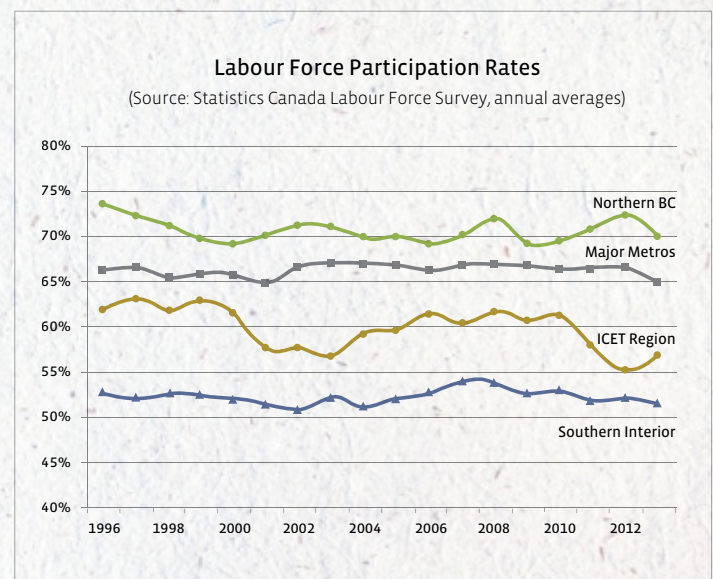
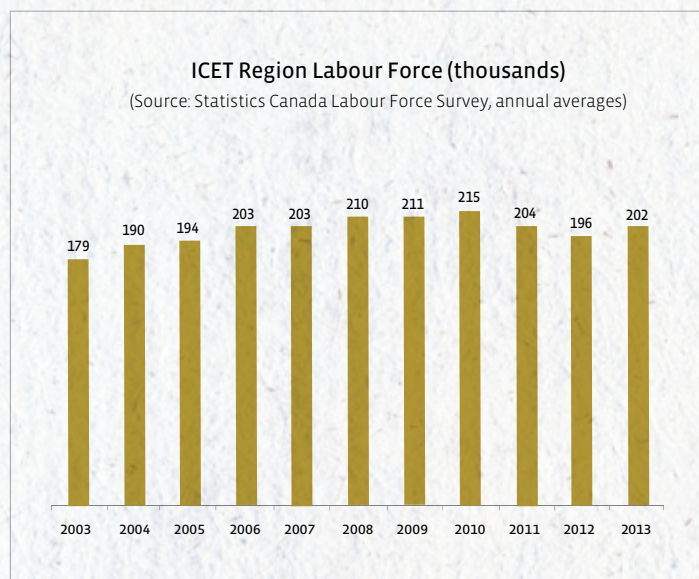
Yet even in the context of this huge opportunity, production in BC is lower now than it was a decade ago. Figures for 2013 are not yet available, but from 2002 to 2012 total production of farmed finfish declined from 84,000 tonnes to 73,000 tonnes, while production of farmed shellfish ranged between 8,000 and 10,000 tonnes per year.

LABOUR FORCE

Changes in the regional labour force in 2013 suggest an improvement in economic opportunity.

The region's older age profile has led to concern about the long-term size of the labour force, which shrank by nearly 20,000 people from 2010 to 2012 before bouncing back with an increase of 6,000 people in 2013. While it is too soon to affirm that the downward trend of the last few years has been reversed, the 2013 growth is a positive sign.

The significant drop in the regional labour force in 2011 and 2012 was largely due to a steep drop in the labour force participation rate (which is the percentage of residents age 15+ who are working or actively looking for work). The level of the regional participation rate is determined largely by demographics, since having a larger retiree population who are not in the labour force will push down the participation rate. However, changes from year to year are driven by changes in economic opportunity. Better employment prospects will cause more people to move into the labour force, which is what occurred in the ICET region in 2013.



FULL-TIME VERSUS PART-TIME WORK

Previous studies of the regional economy have shown that average employment incomes are substantially below those of other BC regions. At least part of the reason is that people in the ICET region are more likely to work part-time.

Some part-time work is involuntary if there are not full-time jobs available, but the total number of part-time workers is, like so many other things in the labour market, influenced by the age of the population. An older population will usually have more workers who are primarily interested in part-time work to supplement their savings or pensions, or to keep themselves active in their career without the commitment of a full-time job. The comparison to other BC regions shown in the chart above supports this contention as the ICET region and Southern

Interior, which have a similar demographic profile with large retiree populations, have the lowest rate of full-time employment. Northern BC has had the highest rate of full time employment of any BC region for the last five years.

