



FERENCE WEICKER & COMPANY

**WEST KOOTENAY & BOUNDARY
MANUFACTURING & TECHNOLOGY
INDUSTRY SURVEY**

**Sector Inventory
and Database, December, 2007**

Prepared By:
Ference Weicker & Company Ltd.
550 - 475 West Georgia Street
Vancouver, BC V6B 4M9
Telephone: 604-688-2424



Ministry of Economic Development

EXECUTIVE SUMMARY

PURPOSE OF THE PROJECT

The objectives of this project were to:

- Prepare an inventory of West Kootenay & Boundary businesses in the target sectors;
- Conduct a survey of a sample of these companies and summarize the findings and qualitative data not captured by the inventory database; and
- Provide preliminary analysis and recommendations that could, potentially, lead to the development of strategies to address issues and develop opportunities.

This project was commissioned for the Kootenay Association for Science and Technology (KAST) of the West Kootenay and Boundary Region of BC. Dedicated to fostering a culture of innovation as well as the development of science and technology in the West Kootenay & Boundary region, the KAST is a non-profit society that provides a wide range of services, including research, professional development & educational programming and events targeted at businesses, communities and students/educators involved in science, technology and innovation. The project was funded by the BC Ministry of Economic Development. Selkirk College's Regional Innovation Chair in Rural Economic Development provided significant input and advisory support.

METHOD OF STUDY

The major steps that we undertook to complete the project are as follows:

- Conducted an initial meeting with KAST to clarify the desired outputs and scope of the assignment.
- Developed an inventory of businesses in the region based on information provided by the project partners and obtained from searches of a variety of published industry directories, telephone books, and online business and trade directories. In addition, we contacted representatives of local economic development offices, Chambers of Commerce, and various government agencies.
- Conducted an extensive internet search to fill specific gaps in the data (i.e. where partial listings were obtained, the internet was used to fill in data such as contact names, addresses, postal codes, phone numbers, and/or e-mail addresses for the organizations on the list).
- Developed the questionnaire for the survey, an introductory letter, and a website for the project (www.ki2i.ca).
- Followed-up with the companies to conduct interviews by telephone. In total, we conducted interviews with 209 companies in the region. There were 187 companies with whom we could not complete interviews in the available time despite repeated call backs while 37 declined participation and 29 appeared to no longer be in operation.
- Coded, tabulated and analyzed the results. We then used the results to update the company database and prepare a summary report for the West Kootenay/Boundary region.

MAJOR FINDINGS

The major findings of our review are as follows:

- **The 209 companies that we surveyed employ about 4,654 people and generate about \$2.2 billion in revenues annually from operations in the West Kootenay/Boundary.** We project that, if we had been able to survey all 433 companies believed to be active in the database, we would have found that these companies employ over 6,950 people and generate about \$2.5 billion in revenues.
- **A few companies account for the much of the economic activity.** The largest 5% of the companies accounted for 94% of the revenues of all the companies surveyed. Most of the businesses are small, with less than 10 employees and operations in only one location in the Kootenays.
- **The companies serve a wide range of geographic and sector markets.** Leading markets include the Kootenays, the US, Alberta, Asia and BC.
- **The businesses are well-established.** On average, the businesses have been operating since 1991. Of the companies, 29% have been established in the past six years including 10% which have been established since the beginning of 2005.
- **The companies are growing and are projected to continue to grow.** Over the past year, the average revenues of the companies surveyed rose significantly driven by the rapid growth of one very large company whose revenues doubled because of strong increasing metal prices. Companies project that their revenues will increase by an average of 10.1% over the next three years. The companies project that they will employ an average of 21.1 people on a full-time basis in three years.
- **The companies generate significant direct economic spin-offs for the region.** On average, the companies indicated that they purchased about \$1.7 million in goods and services annually, of which an average of about 56% is purchased from companies located in the Kootenays. Many of the companies noted that they also purchase goods and services from suppliers in other parts of BC and Alberta.
- **There are some significant competitive advantages associated with being located in the West Kootenay/Boundary.** Most companies (79%) definitely expect (a 100% likelihood) to still be operating at their current location in five years. When asked to identify the competitive advantages of being located in the Kootenays, the companies most commonly identified strong community support, being the only local company serving clients' needs in the area, proximity to clients and markets (particularly in terms of access to local markets as well as the US and Alberta), strength of the economy (construction, tourism, mining, technology, forestry) and the high quality of life to be relevant factors. Of the companies surveyed, 24% are planning to make significant new investments in the region over the next three years.
- **A number of other factors also contribute to the success of the companies.** These include the quality and range of their products, their reputation and strong presence in the region, the level of service, specialized skills and expertise, and a strong, qualified staff.
- **Thirty-seven companies (18% of those surveyed) invested in research and development over the past year.** Thirty-one companies (15%) reported the value of their investment and 9%

have claimed or are planning to claim an SR&ED tax credit for part or all of their R&D expenditures.

- **Access to room for expansion is an issue for some companies.** 24% of the companies have plans to make a significant capital investment to expand operations. Of those, 46% said that they have sufficient room to expand at their current location(s), 48% indicated that they do not, and 6% were not sure.
- **One of the biggest issues affecting companies is difficulties in finding or keeping qualified, capable workers.** Particular shortages were identified in a variety of areas including technical and trades people (e.g. heavy machinery and equipment operators, forestry workers, drivers, etc); management, marketing, and sales people; IT workers (computer technologists, graphic design and electronic media), and engineers. The companies attributed the shortages to a variety of reasons including strong competition from other employers particularly those in Alberta, low unemployment rates, a lack of training and apprenticeship programs, no training programs for specific jobs and difficulties in luring potential employees to smaller communities.
- **Other issues that were identified as affecting the businesses include transportation issues related to shipping of goods and ability of staff to travel, telecommunications, high cost of labour, government regulations, marketing capabilities and expertise in the market.**

OPPORTUNITIES FOR DEVELOPMENT

The results of our review indicate that companies are growing, committed to the Kootenays and, in many cases, are planning to make further investment. That being said, there are a variety of actions that could help accelerate development and ease some of the issues facing local businesses. Some of the actions that were recommended by industry which could be considered for the region include working to:

- Improve the supporting infrastructure, particularly in the areas of improving transportation capabilities (roads and airports), making high speed internet more accessible and increasing access to the land and facilities needed for expansions;
- Provide incentives and increase support services for small businesses operating in the Kootenays;
- Facilitate, develop and promote training, education and apprenticeship programs in the communities;
- Host local business seminars and conferences for small businesses that create business opportunities and foster collaboration and coordination;
- Address key regulatory issues facing industry (e.g. import, export, WCB, and local building regulations);
- Streamline the impact of red tape on business owners; and
- Undertake initiatives to attract businesses and residents to the region.

Based on the results of the interviews, the main body of the report presents a preliminary SWOT analysis, which summarizes some of the strengths, weaknesses, opportunities and threats facing the industry, and identifies specific issues that should be addressed including possible strategies or actions that could be considered to address each.



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I. INTRODUCTION

A. THE REGIONAL MANUFACTURING AND TECHNOLOGY SURVEY

This project was commissioned for the Kootenay Association for Science and Technology (KAST) of the West Kootenay and Boundary Region of BC. Dedicated to fostering a culture of innovation as well as the development of science and technology in the West Kootenay & Boundary region, the Kootenay Association for Science and Technology (KAST) is a non-profit society that provides programming and events targeted at businesses, communities and students/educators involved in science, technology and innovation. . The project was funded by the BC Ministry of Economic Development. Selkirk College Regional Innovation Chair in Rural Economic Development provided advisory support.

The purpose of the project was to develop a Sector Inventory & Database, which provides a snapshot of the regional manufacturing and technology sectors and contains data which can be used to produce sector asset maps. More specifically, the objectives of this project were to:

- Prepare an inventory of West Kootenay & Boundary businesses in the target sectors;
- Conduct a survey of a sample of these companies and summarize the findings and qualitative data not captured by the inventory database; and
- Provide preliminary analysis and recommendations to address issues and develop opportunities.

In the East Kootenays, this project is the first phase, in a three phase project, towards the preparation of a Regional Industry Development Plan. In the East Kootenays:

- The purpose of the **second phase** will be to assess industry opportunities, research land and infrastructure capacity in the region as well as downstream services and supply chains, prepare sector asset maps using a GIS platform, and stage a series of community focus groups throughout the region to communicate the GIS maps, sector inventory and land and infrastructure findings and seek supplemental directional input from community, regional and industry partners and stakeholders.
- The purpose of the **third phase** will be to prepare the Regional Industry Development Plan, which will identify target industry segments, existing growth or expansion opportunities, supply networks, downstream services compatible to existing industries, potential sector linkages, needs with respect to skills development, and opportunities for youth.

In the West Kootenay & Boundary region KAST and the Selkirk College RIC, who have led this phase, are launching discussions with West Kootenay/Boundary regional partners around how to utilize this information and what next steps we should take to capitalize on what we have learned

B. RESEARCH UNDERTAKEN IN PHASE I

The major steps that we undertook to complete the West Kootenay & Boundary Manufacturing and Technology Industry Survey are as follows:

- Conducted an initial meeting with KAST to clarify the desired outputs and scope of the assignment. During the meeting, we reviewed the preliminary work plan to ensure that the purpose, scope and

objectives for the assignment are clearly understood, how the assignment was to be undertaken within the stipulated time frame and budget, and the major elements to be contained in the final report.

- Worked with KAST to compile a listing of companies in the industrial and technology sectors. To augment information provided by KAST, we conducted:
 - Searches of a variety of published industry directories and telephone books;
 - Searches of online business and trade directories at the community, regional, national and international levels;
 - Interviews with representatives of local economic development officers, Chambers of Commerce, and various government agencies to identify the names of companies or key individuals active in the region; and
 - Other available contact lists including community directories, Chambers of Commerce listings, sector listings, and membership directories for various organizations.
- Conducted an extensive internet search to fill specific gaps in the data (i.e. where partial listings were obtained, the internet was used to fill in data such as contact names, addresses, postal codes, phone numbers, and/or e-mail addresses for the organizations on the list).
- Developed the questionnaire for the survey. A copy of the telephone version of the questionnaire is provided in Appendix I.
- Developed an introductory letter which was then distributed to companies on the list for whom we had e-mail addresses or fax numbers.
- Developed a website for the project (www.ki2i.ca). The website provided a description of the project, an overview of the project partners, contact information, and a version of the questionnaire that could be completed online.
- Followed-up with the companies. We attempted to contact each of the companies contained in the inventory and encourage them to participate in the survey. Our objective was to conduct a full survey with the companies or, failing that, to confirm contact information. Companies had the option to complete the full survey by telephone with us or online. We followed-up multiple times with many of the target companies to encourage their participation. Where the numbers were not in service, we used directories and referrals from others to attempt to identify whether there is a new location and number for the business.
- Coded, tabulated and analyzed the results using SPSS. We have provided a copy of the data file in SPSS and Excel formats.
- Used the results of the interviews to update the company database and develop a formal inventory of regional businesses in the target sectors. A copy of the database has been provided in Excel. We have ensured that the listings contain postal code information such that the results can be imported into a GIS platform in Phase II of the project.
- Prepared a summary report for the West Kootenay/Boundary region. This report summarizes the quantitative and qualitative information collected through the survey.

C. LIMITATIONS

Some of the limitations associated with the research include:

- A small number of the larger businesses chose to not participate in the study, particularly a few major resource companies.
- The 433 active companies in the West Kootenay/Boundary inventory is a significant but not an exhaustive list of all manufacturing, industrial and technology companies in the region.
- The Canadian dollar had not yet reached par when the majority of interviews were conducted. As a result, the full effect that this change would have on revenues with regards to US sales and on the competitive position of local companies has not been fully captured.
- As with any survey, the characteristics of those who chose not to participate are not necessarily the same as those who did.

D. STRUCTURE OF THE REPORT

The project report is divided into four chapters:

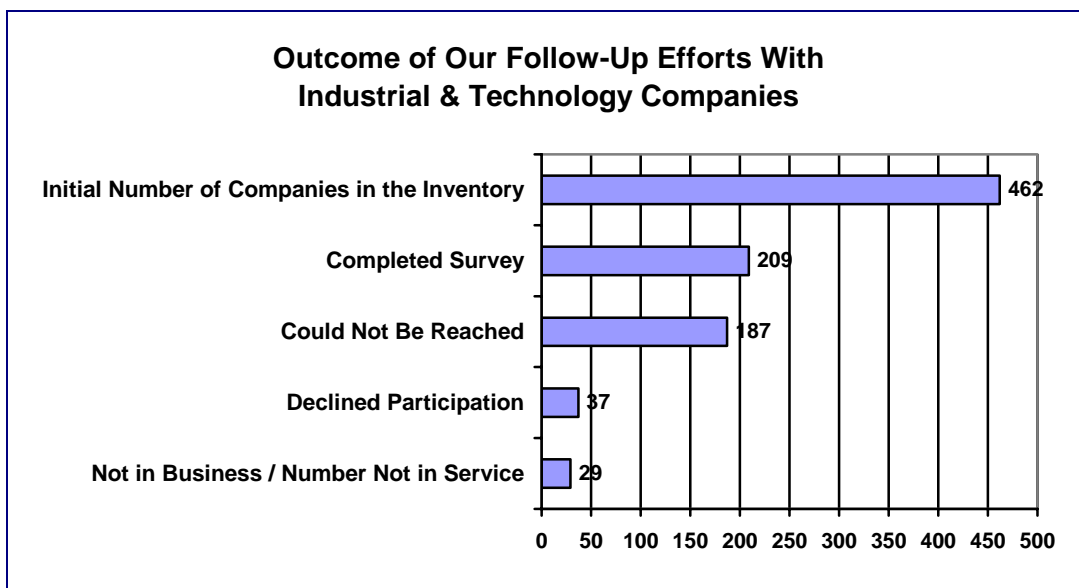
- This chapter has provided an overview of the project and the research that was undertaken in Phase I.
- Chapter II provides an overview of the project inventory including a profile of the number of the companies included by community and sector as well as an estimate of the total revenues and employment of those companies.
- Chapter III provides a detailed summary of the interview results.
- Chapter IV highlights some of the potential implications of the results for possible future actions, developing out of this project.

II. INVENTORY OF BOUNDARY & WEST KOOTENAY BUSINESSES

This chapter provides an overview of the inventory of West Kootenay/Boundary businesses which was developed as part of Phase I. The inventory contains tombstone information on each company including the company name, address, city, postal code, phone number, product or service description, and sector. Where available, the file also includes information on company revenues and employment, the key contact person, e-mail addresses, website, and the fax number.

I. NUMBER OF COMPANIES INCLUDED AND INTERVIEWED

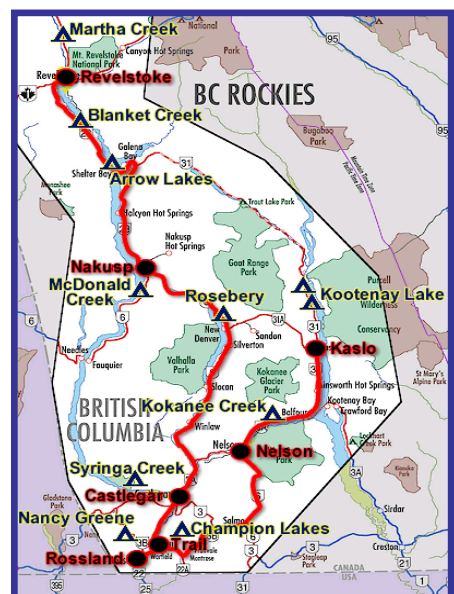
Based on a review of a variety of sources, we developed an initial list of 462 companies that are potentially active in the target sectors in this region of which 29 were determined to be no longer in operation. The result of our attempts to follow up with these companies is provided below.



As indicated, we completed interviews with 209 companies, of the 433 companies which we believe to be active (48%). A summary of these interviews is provided in Chapter III. From other companies, we obtained partial information such as a description of their operations, sector, and other contact information. Each of the 187 companies who did not complete the survey, were called at least three times and, in most cases, more often than that.

II. BUSINESSES BY COMMUNITY

The West Kootenay/Boundary is located in the southeastern corner of British Columbia. The study area is defined as the region served by KAST, which is one of a series of regional innovation councils that have been established across the province using the boundaries of the college regions in British Columbia. For the purposes of this project, we have defined West Kootenay & Boundary to correspond to the Selkirk College region, with the exception that it also includes the community

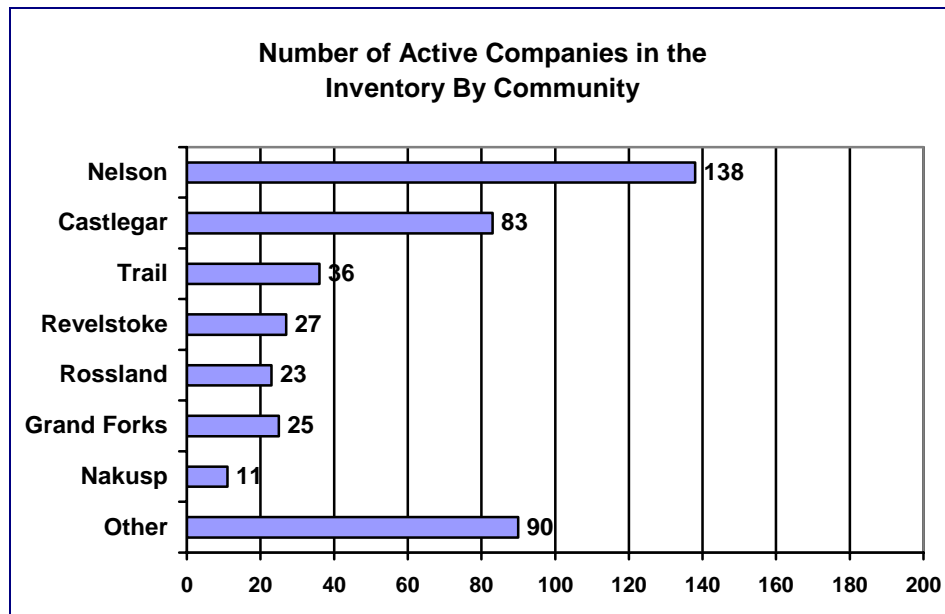


of Revelstoke, which is normally classified as part of the Columbia Shuswap. These communities were highlighted in the map on the previous page. The region has a population of almost 90,000 people, distributed throughout numerous communities in the region. The largest communities in the region in terms of population include Nelson, Revelstoke, Trail, Castlegar, Grand Forks, Rossland, Fruitvale, and Nakusp. The population of these communities is listed below.

Population of Communities Located in Boundary and West Kootenays (2006)	
Community	Population
Nelson	9,797
Revelstoke	7,964
Trail	7,889
Castlegar	7,821
Grand Forks	4,200
Rossland	3,725
Fruitvale	2,083
Nakusp	1,779
Warfield	1,751

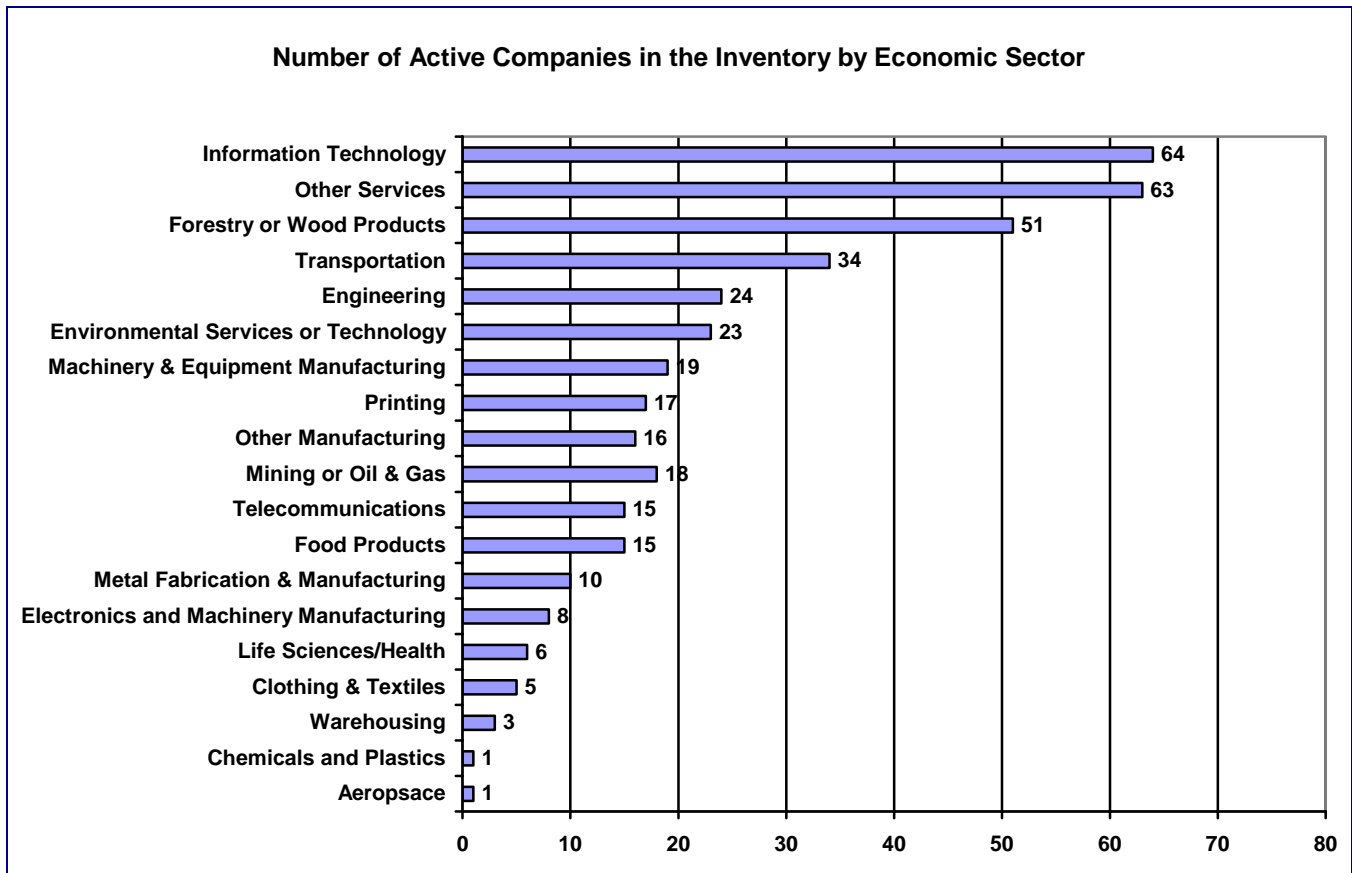
Source: BC Stats

A breakdown of the number of active companies contained in the inventory by community is provided below. As indicated, 138 of the 433 companies are located in Nelson. This is consistent with various business directories including telephone directories and the BC Manufacturing Directory, which contain significant more listings for Nelson that they do for other communities in the region.



III. BUSINESSES BY SECTOR

The Regional Industry Development Plan is focused on the Manufacturing and Technology Industry, which was defined very broadly to include companies active in a cross-section of sectors including chemical and plastics, clothing and textiles, electronics and machinery manufacturing, engineering, environmental services or technology, food products, forestry or wood products, information technology, life sciences/health, machinery and equipment manufacturing, metal fabrication and manufacturing, mining or oil and gas, printing, telecommunications, transportation, warehousing, other services, and other manufacturing. The inventory includes a description of the company products or services and assigns each company to a broadly-defined sector using the classification adopted by the Steering Company. As indicated below, the most common sectors include information technology, other services, forestry or wood products and transportation.



The 64 IT companies include companies involved in website development and design (22 companies), software development and consulting (16 companies), web hosting (3 companies), GIS mapping/technology/geomatics (7 companies), sales & service (4 companies), networking (4 companies), e-commerce (4 companies), and other related activities (4 companies).

Examples of other services include construction related activities (framing, excavation & foundation, concrete, masonry and general contracting), electrical, landscape contractors, geological services, home inspection, HVAC and refrigeration service, janitorial service, land surveying, marketing services, plumbing, real estate development and management, sales, taxation and bookkeeping services, and traffic control.

Of the 51 forestry companies, 28 are involved in value-added activities, 11 are involved in sawmilling, 4 are

involved in logging/contracting, 3 are service companies, and 2 are involved in fire fighting/fire prevention, and 3 are otherwise related to the industry. Transportation companies includes a mixture of companies involved in regional and long haul freight, log & lumber hauling, truck, RV and automotive, automotive parts and supplies, tire wholesale & retail, mobile homes dealers, a railway, and waste disposal.

IV. ESTIMATED SIZE OF THE COMPANIES INCLUDED IN THE INVENTORY

Based on information we obtained directly from the companies, secondary sources, and an extrapolation based on the survey results, we estimate that these 433 companies contained in the inventory employ approximately 6,950 people.

ESTIMATED AGGREGATE EMPLOYMENT OF THE COMPANIES LISTED IN THE INVENTORY

Employment		
Source	Companies	Employment
Surveyed	209	4,654
From Direct Contact, Secondary Sources or Estimates	17	226
Subtotal	226	4,880
Extrapolated	207	2,070
Total	433	6,950

Based largely on direct contact with companies and data obtained from secondary sources, we estimate that these companies generate approximately \$2.5 billion in revenues annually.

ESTIMATED AGGREGATE REVENUES OF THE COMPANIES LISTED IN THE INVENTORY

Revenues		
Source	Companies	Revenues (\$ millions)
Surveyed	209	\$2,156
From Direct Contact, Secondary Sources or Estimates	10	\$36
Subtotal	219	\$2,192
Extrapolated	214	\$278
Total	433	\$2,470

In extrapolating the survey results, we used the average employment and revenue data reported by the companies we were able to reach. However, we assumed that we were able to capture the largest companies in the region either through our survey or through secondary sources of information and therefore excluded the largest companies in calculating these averages. The employment estimate used for the extrapolation was an average of 10 employees per company and the revenue estimate was an average revenue of \$1.3 million per company.

III. SUMMARY OF THE INTERVIEW RESULTS

This chapter summarizes the characteristics of the companies served in the region in terms of location, sector, head office, length of operation, revenues, employment, recent equity investments, investment plans, research & development expenditures, corporate guidance, key issues affecting their growth and development, and competitive position as well as their recommendations for action.

A. LOCATION, SECTOR, AGE AND HEAD OFFICE

The characteristics of the businesses surveyed in terms of location, sector, head office, and age are summarized below.

1. Location

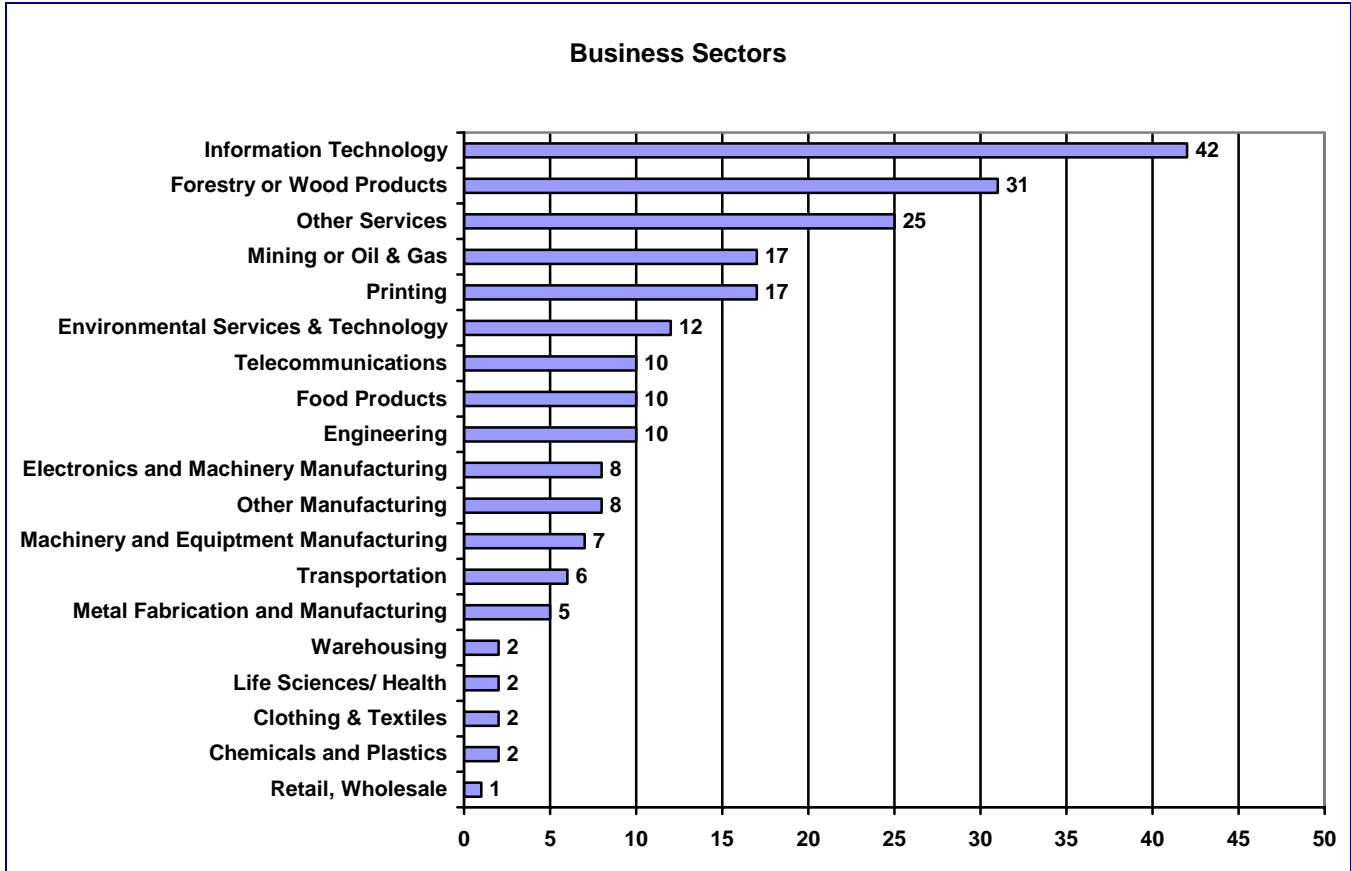
The majority of the businesses surveyed are from Nelson, Castlegar, Trail, Rossland, Grand Forks, Revelstoke and South Slocan. Other communities from which respondents were also drawn from include Balfour, Crescent, Fruitvale, Montrose, Ymir, and Burton.

LOCATION OF THE BUSINESSES

Community	Respondents	Percent
Nelson	87	42%
Castlegar	25	12%
Trail	22	11%
Rossland	13	6%
Grand Forks	11	5%
Revelstoke	10	5%
South Slocan	4	2%
Other (remaining)	37	18%
Total	209	100%

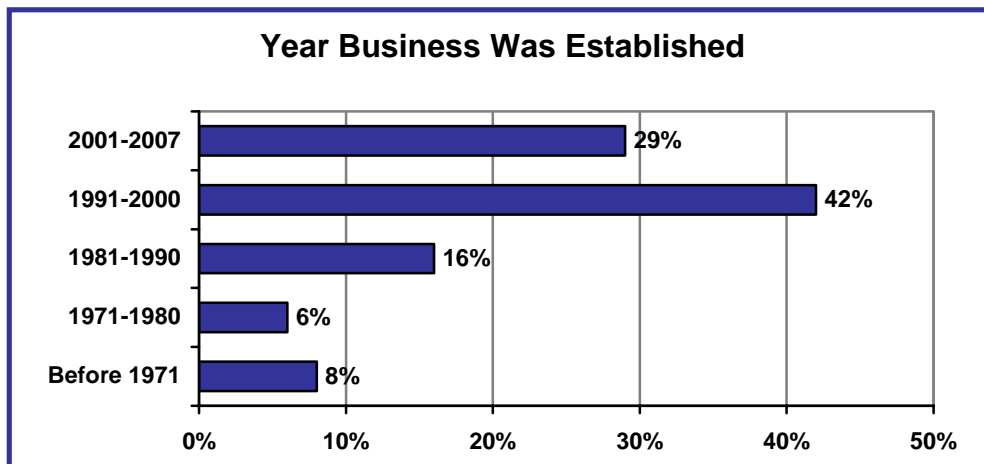
2. Sector

The businesses are drawn from a variety of sectors, of which information technology, forestry or wood products, other services, printing, and mining or oil & gas are most common.



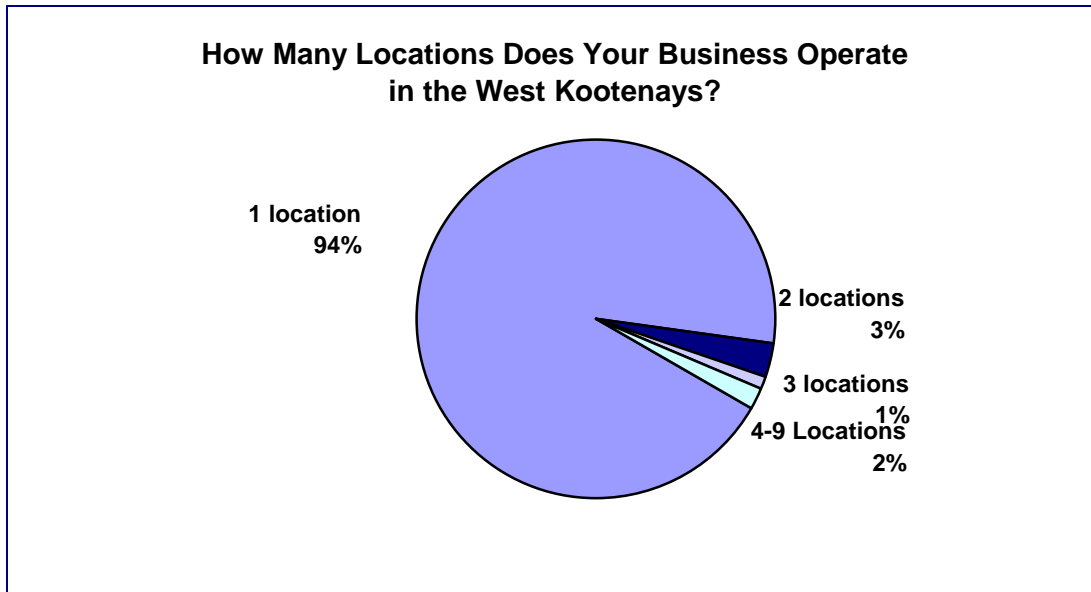
3. Age of the Business

On average, the businesses have been operating since 1991. Of the companies, 29% have been established in the past six years including 10% which have been established since the beginning of 2005.



4. Number of Locations and Head Office

Of the 209 businesses surveyed, (94%) operate from one location in the West Kootenay/Boundary while 5 companies (2%) have 5 or more locations.



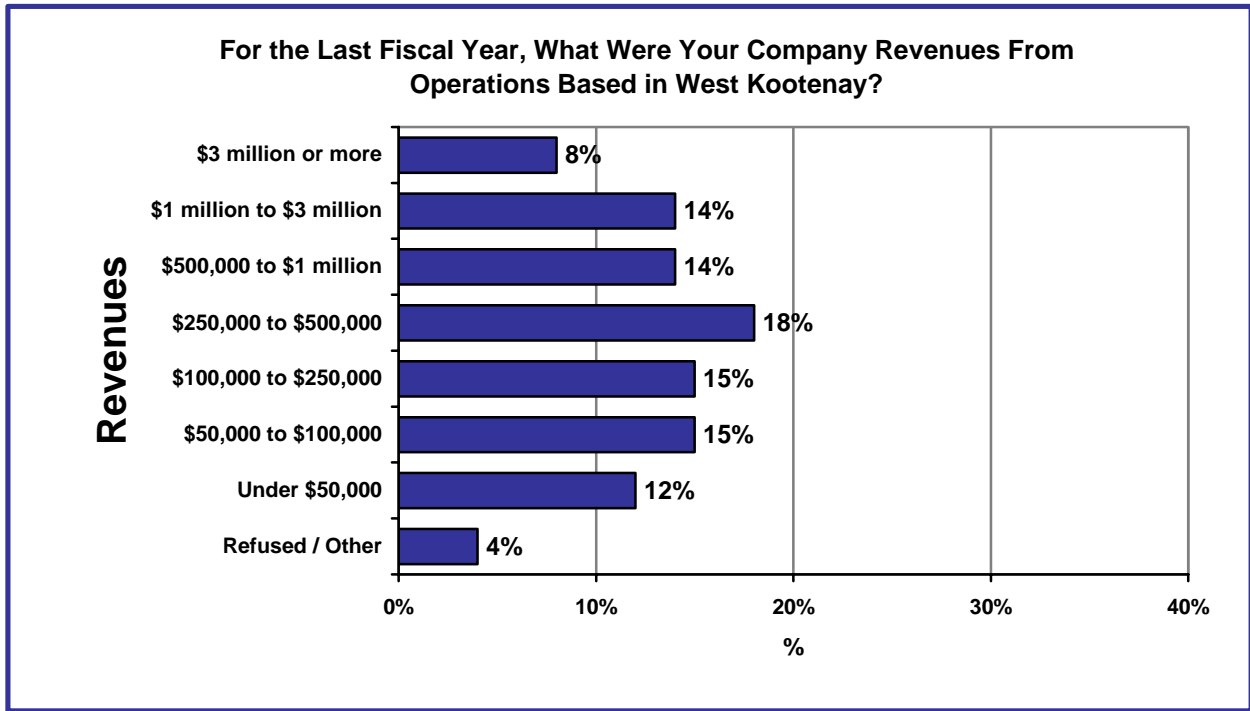
Of the companies surveyed, 10 have their head offices located in other regions. Other locations for head offices included the Lower Mainland, California, Kelowna, Victoria, Ontario and Winnipeg.

B. REVENUES, EMPLOYMENT AND LOCAL PURCHASES

The characteristics of the businesses surveyed in terms of revenues and employment are summarized below. It should be noted that the respondents were asked about their revenues and employment levels in the Kootenays and, as such, the data may include revenues and employment in both the West and East Kootenays.

1. Revenues

Total revenues reported by the 209 companies are about \$2.2 billion. On average, the companies reported revenues of about \$10 million. Most of the companies reported revenues of \$250,000 or more for the last fiscal year, including 8% that reported more than \$3 million in revenues.



2. Revenues By Region

Of the companies surveyed, 205 (98%) provided a breakdown of their sales by region. Most of the companies reported sales to customers based in the Kootenays and, on average, these sales accounted for 6% of the revenues reported by these companies.

REVENUES BY REGION

Region	Reporting Sales to this Region		Reported Revenues	
	Companies	% of Total	Average	% of Total
Kootenays	180	89%	\$621,406	6.1%
The rest of BC	54	26%	129,711	1.3%
Alberta	25	12%	479,107	4.7%
The rest of Canada	19	9%	459,120	4.5%
The United States	38	19%	6,879,392	68.0%
Mexico	1	-	688,995	6.8%
Europe	10	5%	49,023	0.5%
Asia	10	5%	767,572	7.6%
Other Regions	5	2%	41,871	0.4%
All Respondents	205	100.0%	\$10,116,197	100.0%

Nineteen percent of the companies reported sales to the United States and, on average, these sales accounted for 68% of the aggregate revenues of the companies surveyed.

Larger companies were more likely to report sales to the United States than smaller companies. While 15% of the companies with revenues under \$3 million reported sales to the United States, these sales accounted for only 7.4% of the revenues.

REVENUES BY REGION FOR THOSE COMPANIES REPORTING LESS THAN \$3 MILLION IN REVENUE

Region	Reporting Sales to Region		Reported Revenues	
	Companies	% of Total	Average	% of Total
Kootenays	165	86%	\$415,413	82.2%
The rest of BC	45	24%	26,960	5.3%
Alberta	18	9%	8,132	1.6%
The rest of Canada	14	7%	9,476	7.4%
The United States	29	15%	37,606	7.4%
Europe	8	4%	3,937	0.8%
Asia	5	3%	2,317	0.5%
Other Regions	3	2%	1,314	0.3%
All Respondents Reporting	191	100%	\$505,155	100%

3. Revenues By Sector

Of the companies surveyed, 206 (99%) provided an approximate breakdown of their sales by region. Almost one-half of the companies (48%) reported sales to the wholesale/retail trade or directly to end consumers. However, these sales accounted for only about 3% of the aggregate revenues of the companies reporting a sector breakdown. In terms of total revenues, manufacturing, transportation, and wholesale/retail trade and end consumers were the leading customers segments amongst the companies surveyed.

REVENUES BY SECTOR

Sector	Reporting Sales to Sector		Reported Revenues	
	Companies	% of Total	Average	% of Total
Natural resources industry	50	24%	\$273,670	2.7%
(other) Manufacturing	13	6%	9,163,636	88.8%
Construction	31	15%	194,172	1.9%
Transportation	10	5%	310,153	3.0%
Service sector	30	15%	33,273	0.3%
Wholesale/retail trade and end consumers	98	48%	286,450	2.8%
Government	8	4%	10,313	0.1%
Other	11	5%	43,333	0.4%
All Respondents Reporting	208	100%	\$10,315,000	100%

Smaller companies were more likely to report sales to the natural resources and wholesale/retail trade and consumer industry. For the companies with less than \$3 million in revenues, 44% came from the

wholesale/retail trade and end consumers, 24% came from the natural resource industry, 15% came from the construction industry, and 7% came from the service sector.

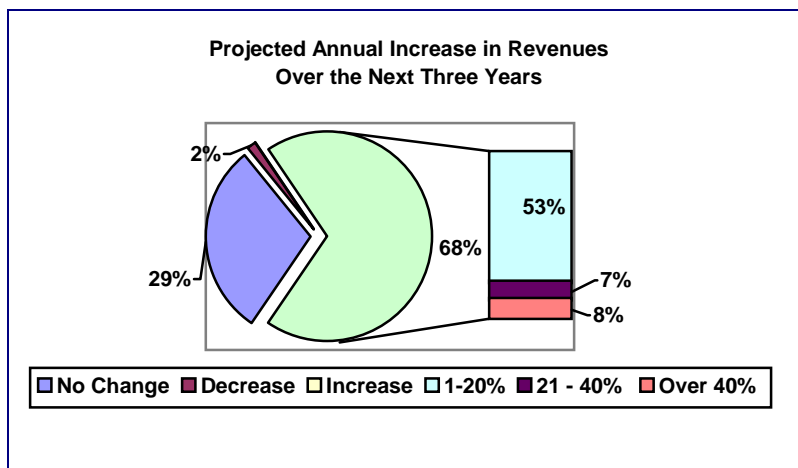
REVENUES BY SECTOR FOR THOSE COMPANIES REPORTING LESS THAN 3 MILLION IN REVENUE

Region	Reporting Sales to Sector		Reported Revenues	
	Companies	% of Total	Average	% of Total
Natural resources industry	60	31%	\$122,365	23.6%
(other) Manufacturing	29	15%	20,793	4.0%
Construction	43	23%	77,801	15.0%
Transportation	27	14%	22,698	4.4%
Service sector	46	24%	33,978	6.6%
Wholesale/retail trade and end consumers	111	58%	226,328	43.7%
Government	24	13%	3,034	0.6%
Other	10	5%	10,767	2.1%
Total	191	100.0%	\$517,764	100%

4. Recent and Projected Growth in Revenues

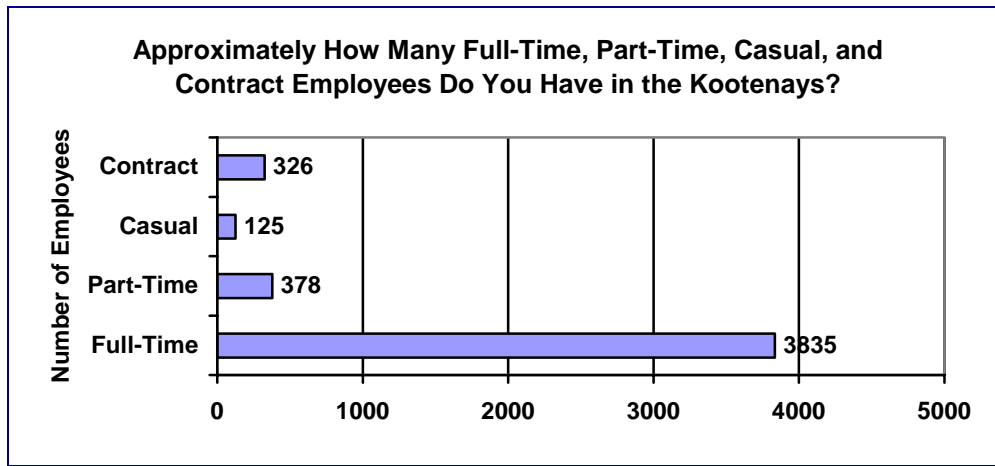
Over the past year, 62% of the companies indicated that their revenues had increased, 28% indicated that revenues had remained the same, 7% indicated that they had decreased, and 3% were not sure or indicated that the business had been operating for less than one year. Overall, the average revenues of the companies surveyed rose significantly driven by the rapid growth of one very large company whose revenues doubled because of strong increasing metal prices.

As indicated in the chart below, 68 % of the companies’ project that their revenues will increase over the next three years, 29% expect them to remain the same, 2% expect revenues to decrease and 2% were not sure. On average, the companies expected their revenues to increase by an average of 10.1% over the next three years.

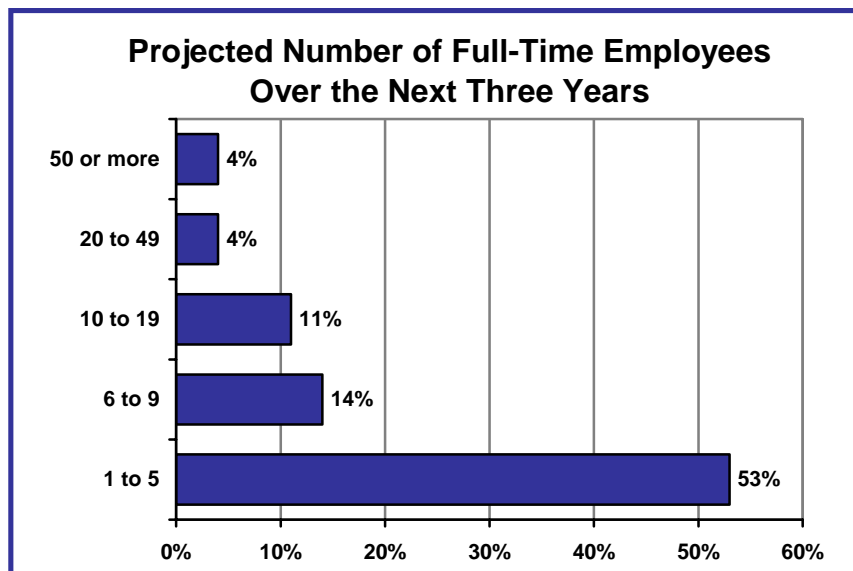


5. Employment

The companies currently employ an average of 22.3 employees, of whom 18.4 are full-time employees, 1.8 are part-time employees, 0.6 are casual employees and 1.6 are contract employees. In total, the 209 companies reported employing 4,654 employees.

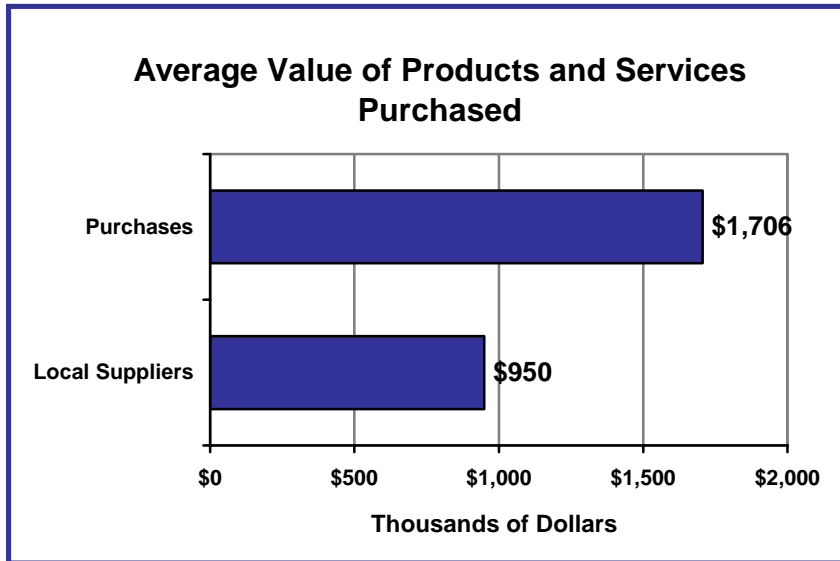


Of the companies surveyed, 44% expect their full-time employment levels to increase, 42% expect employment levels will remain the same, 3% project a decrease, and 11% did not provide an estimate of projected employment. On average, the companies project that they will employ a total average of 21.1 people on a full-time basis in three years.



6. Local Purchases

On average, the companies indicated that they purchase \$1.7 million in goods and services annually, of which an average of about 56% is purchased from companies located in the Kootenays.



Of the companies who purchase a significant percentage of their products from outside of the region:

- 155 companies indicated that they commonly purchase from suppliers in other parts of BC;
- 72 companies indicated that they commonly purchase from suppliers in Alberta;
- 71 companies indicated that they commonly purchase from suppliers in the rest of Canada;
- 53 companies indicated that they commonly purchase from suppliers in the US; and
- 33 companies indicated that they commonly purchase from suppliers in other countries.

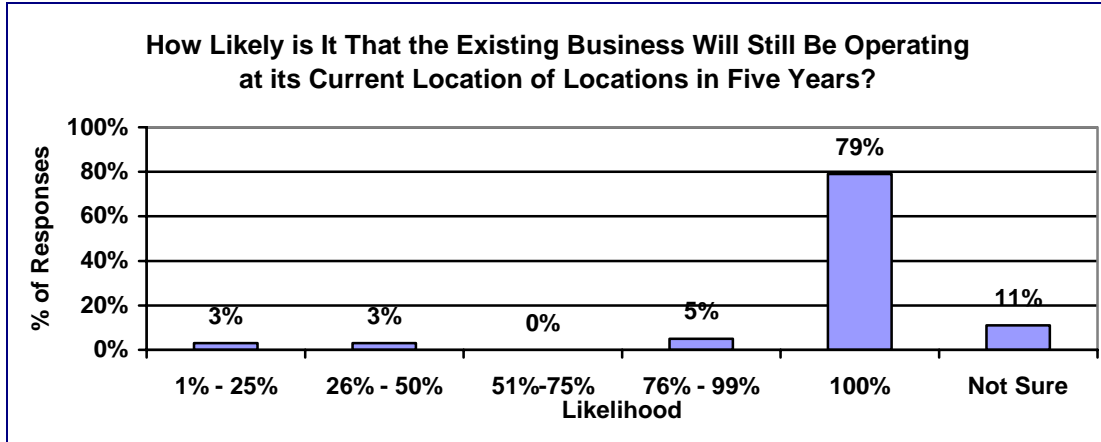
Common reasons for purchasing outside of the region include: limited availability of certain products and services, price competitiveness, and longstanding relationships with other suppliers.

C. OTHER CHARACTERISTICS

The characteristics of the businesses surveyed in terms of the future of the operation, recent equity investments, investment plans, research & development expenditures, and corporate guidance are summarized below.

1. Future Operations

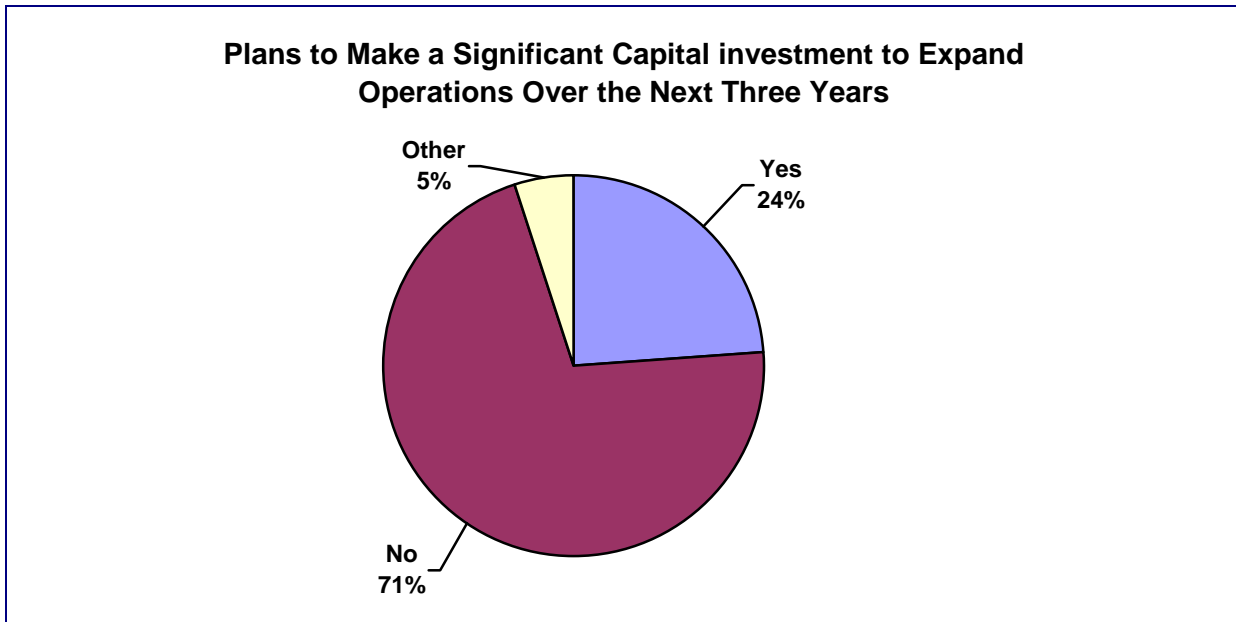
Of the companies surveyed, 79% of the existing businesses expect to definitely (a 100% likelihood) be operating at the current location in five years.



On average, the companies felt that there was a 95% likelihood that they would continue their existing operations for at least the next five years. When the companies who answered less than 100% were asked to explain what may happen to the business, 2% anticipated a potential shutdown of operations, 2% noted the operations could be sold, 14% expected that the operations could move and 2% were not sure.

2. Investment Plans

Of the companies surveyed, 50 (24%) are planning to make significant new investments over the next three years.

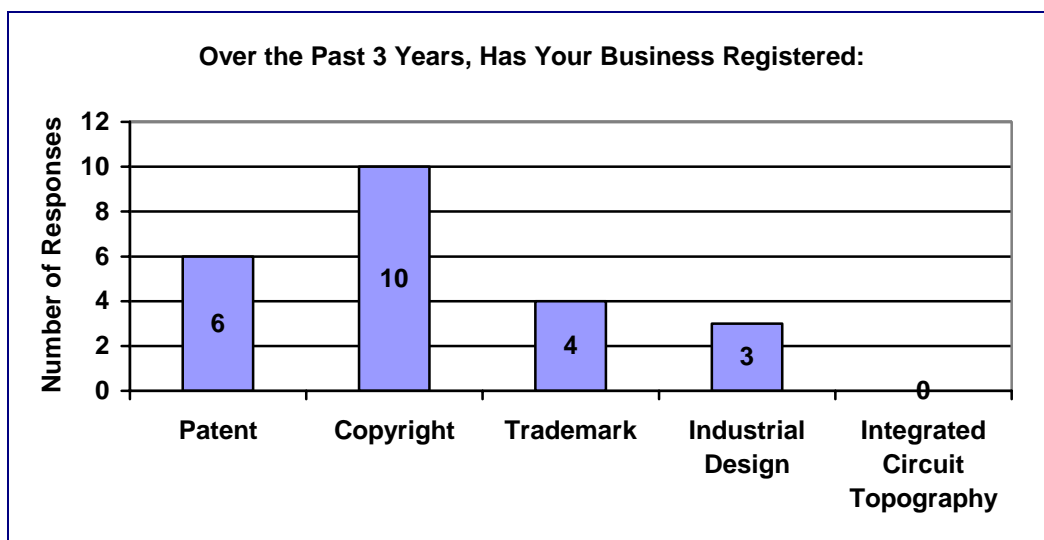


Of the companies that have plans to make a significant capital investment to expand operations, 46% said that they have sufficient room to expand at their current location(s), 48% indicated that they do not, and 6% were not sure.

3. Research & Development

Of the companies that were surveyed:

- 37 companies (18% of those surveyed) reported having invested in research and development over the past year.
- 15% reported the value of their investment. On average, these companies reported investments of \$237,548 in research and development over the past year. The median value was \$30,000. The largest companies, in terms of revenues, accounted for the vast majority of the reported R&D expenditures. On average, the R&D expenditures of the 31 companies reporting data represented about 2.3% of their revenues from operations in the Kootenays.
- 9% have or are planning to claim an SR&ED tax credit for part or all of their expenditures.
- 12% have registered some form of intellectual property. As indicated below, patents, copyrights, and trademarks are the most common forms.



D. KEY ISSUES AND COMPETITIVE POSITION

The characteristics of the businesses surveyed in terms of revenues and employment are summarized below.

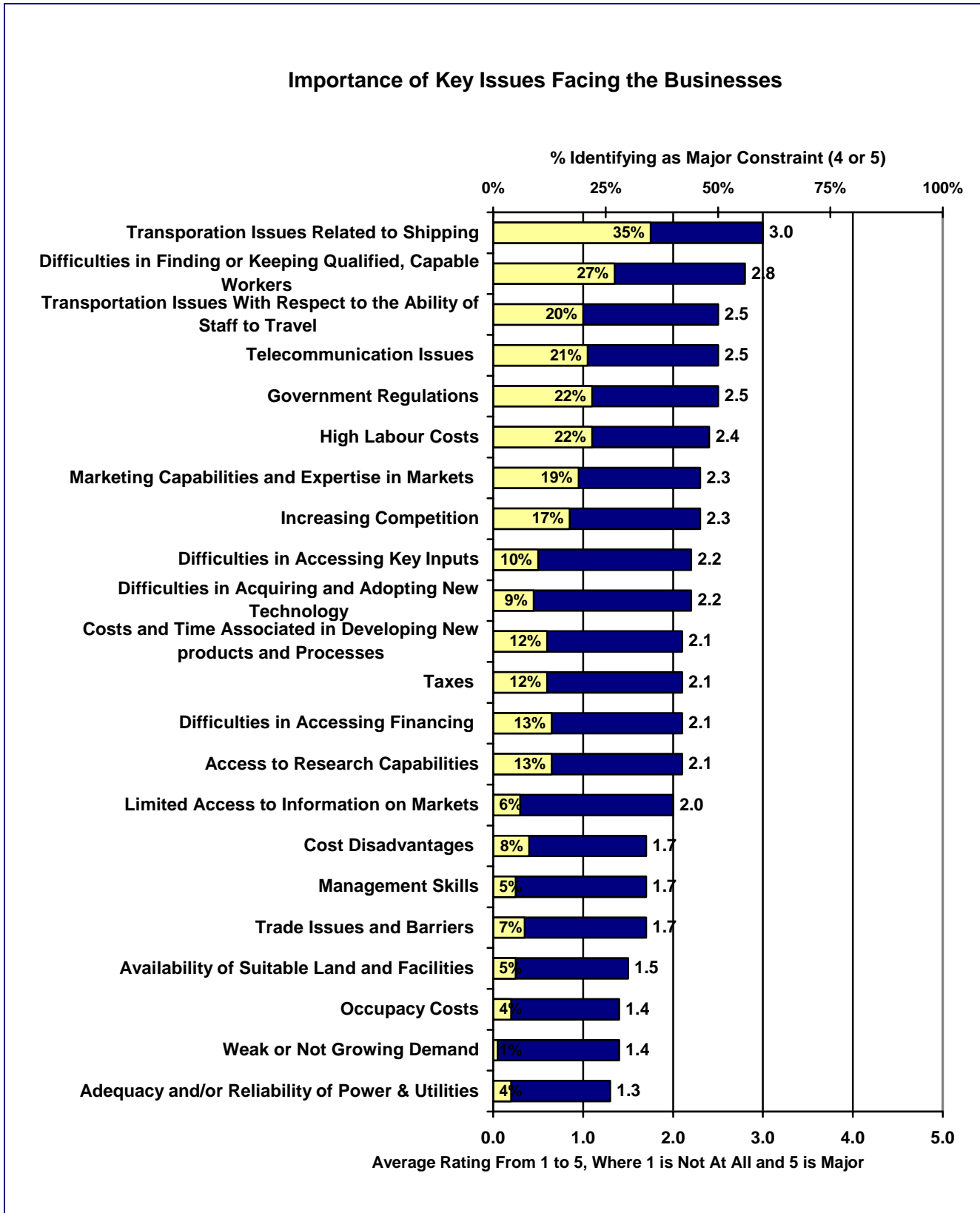
1. Key Issues

There are a variety of issues that may make it difficult for organizations to operate and grow. The respondents were asked to rate how important the following issues are to their business on a scale of 1 to 5, where 1 is not an issue for their business, 3 is somewhat of an issue, and 5 is a major issue in terms of its impact on their growth, operations and/or profitability:

- High labour costs
- Difficulties in accessing key inputs such as raw materials or supplies
- Their marketing capabilities and expertise in local and/or export markets
- Trade issues and barriers that make it difficult to export
- Limited access to information on local and export markets
- Costs disadvantages in comparison to their competition
- Difficulties in accessing the financing they need to expand and operate their business
- Difficulties in acquiring and adopting new technology that could help their business

- The costs and time associated with developing new products and processes
- Access to research capabilities and research infrastructure
- Their location costs (e.g. rents)
- Availability of suitable space
- Increasing competition
- Transportation issues related to shipping goods to their customers (e.g. road, rail, port, air)
- Transportation issues with respect to the ability of staff to travel to meet with clients and prospects
- Weak or not growing demand for products and services in their sector
- Management skills
- Government regulations
- Difficulties in finding or keeping qualified, capable workers

As indicated below, difficulties in finding or keeping qualified, capable workers, transportation issues related to shipping goods, and telecommunication issues were rated the most significant issues.



As indicated, (18%) of the respondents rated difficulties in finding or keeping qualified, capable workers as a

4 or 5. Many of those who did not are small, one or two person firms. The companies who rated difficulties in finding or keeping qualified staff as a 3 or more were then asked:

- In terms of skilled workers, what will be the major needs for your company looking out over the next 3 to 5 years?
- What are the major factors that contribute to a shortage of workers (e.g. limited number of graduates in key programs, overall low levels of unemployment, competition from other regions, etc.)?

The most common responses regarding future needs for skilled workers included:

- Technical and trades people with the mechanical and technical skills needed to operate heavy machinery and equipment, provide forestry and engineering expertise, certified drilling, welding, manufacturing, or driving experience (38 respondents);
- Business skills with workers who have engaged in management, marketing, sales, and retail positions (25 respondents);
- Computer technologists with backgrounds in IT, graphic design and electronic media who are willing to live in small communities (17 respondents);
- Engineers in civil, mechanical and technical fields (identified by 10 respondents); and
- Machinists with experience in heavy duty mechanics, automotive techniques, and are generally mechanically oriented (identified by 4 respondents).

Some of the major factors that contribute to a shortage of workers include:

- The limited appeal of smaller communities, which means that few people want to relocate here for work particularly if the cost of living is higher. More people are moving towards larger cities where there are more opportunities. (15 respondents);
- Social and economic issues associated with a booming economy, such as strong demand for workers all over Canada and an increasing cost of living (identified by 13 respondents);
- The draw of workers to Alberta where remuneration is higher and the cost of living can be lower (identified by 12 respondents);
- A limited local supply of skilled workers, which means that it is difficult for companies to find the skill sets they need in workers both in terms of education and experience (11 respondents);
- A lack of training and apprenticeship programs or the high costs of programs, which result in a limited supply of new graduates with the skills needed by companies (10 respondents);
- Competition from other employers offering better salaries and more attractive benefits (identified by 7 respondents);
- High pay scales make it difficult for small companies to compete with the wages offered in other parts of Canada and graduates have come to demand high wages to start (4 respondents);
- Government practices exemplified in the red tape surrounding licensing and regulations for trades

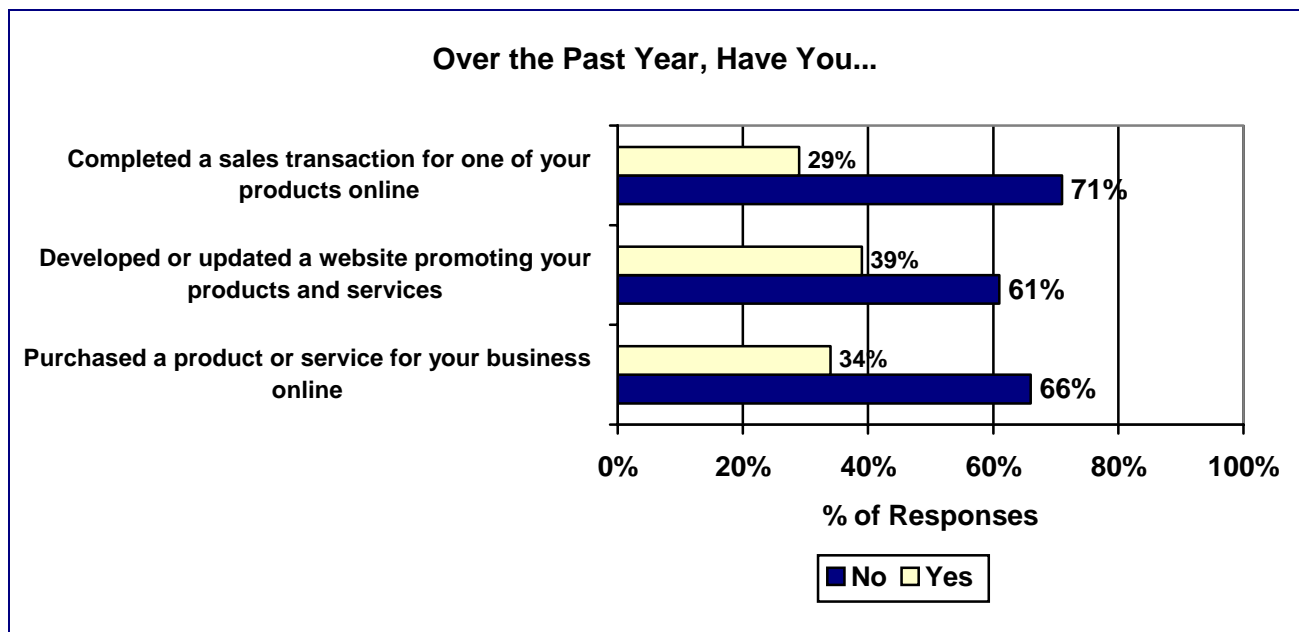
people, as well as a lack of funding for local training programs (5 respondents);

- Internal company issues such as the need for very specialized, niche skills (3 respondents);
- High cost of education and limited education opportunities specific to demand in remote areas (3 respondents); and
- An aging population, which means that much of the workforce will be retiring in the near future (1 respondent).

2. Internet Use

When asked to identify the type of internet access they use, 1% of the companies answered that they do not use the internet, 7% use low speed internet (regular dial-up), and 91% use high speed internet (DSL, cable, broadband).

Companies were also asked whether they use the internet to make business purchases, develop or update a website to promote their products and services, or to complete sales transactions. As indicated, 29% have purchased a product online, 39% have developed or updated their website, and 34% have completed a sales transaction online over the past year.



3. Relative Competitive Position of the Region

When asked to identify the competitive advantages of being located in the Kootenays, the companies most commonly identified:

- Proximity to clients, resources and markets, particularly in terms of ready access to the US and Alberta while taking advantage of their access to raw materials, mills, industrial or construction industries, and appeal of the region as a tourist destination (identified by 38 respondents);
- Being a local company, which means they have community support and often are the only local

- company providing much needed services (identified by 35 respondents);
- The strength of the local economy in areas such as construction, tourism, mining, technology, and forestry (24 respondents);
 - The quality of life in this region, with a lifestyle and location that suited respondent needs and allowed them to attract workers (23 respondents);
 - The strong reputation and high level of awareness of their company within the region (18 respondents);
 - Low overhead due to factors such as low rents, low housing costs, high traffic accessibility, and being a very small business (5 respondents);
 - Relatively little or no local competition (4 respondents);
 - No benefit as the companies felt they could be successful regardless of location (4 respondents); and
 - The ability to do testing in the area (1 respondent).

4. Other Competitive Strengths

When asked to identify the competitive strengths of their business, the companies most commonly identified:

- The quality, innovation and range of their products and the reputation they had within the community for delivering such products (identified by 80 respondents);
- The level of service they provide in conjunction with their exclusive capabilities and ability to respond in a timely matter (identified by 49 respondents);
- A specialized and expert knowledge in their particular field (identified by 37 respondents);
- The skills and artistic ability they offer to their customers (22 respondents);
- Advanced technical capabilities and expertise from new equipment and software (identified 23);
- Little or no competition due to unique product offering (15 respondents);
- Their size which gives them the flexibility and mobility needed to be successful (identified by 13 respondents);
- Their ability to competitively price their products due to a lower cost of living and/or greater buying power (identified by 11 respondents);
- A unique product and competitive nature of the product and service which allows them to cater to a niche market (10 respondents);
- Their well-established and local presence as well as their history of involvement with both customers and their community (7 respondents);

- A highly motivated management team (7 respondents);
- A skilled, professional, qualified staff (identified by 6 respondents);
- The location of their business in allowing them to cater to local markets while still being able to access larger markets (5 respondents);
- Their well-established and local presence as well as their history of involvement with both customers and their community (5 respondents);
- A specialized set of facilities that is unique to the area (3 respondents);
- The location of their business in allowing them to cater to local markets while still being able to access larger markets (2 respondents); and
- A growing market (2 respondents).

E. INDUSTRY RECOMMENDATIONS

The companies were asked to recommend what actions should be undertaken by government and others to promote development of companies in the region. The most common recommendations were:

- Improve the supporting infrastructure, particularly in the areas of improving transport facilities (roads and airports), making high speed internet more accessible and increasing commercial developments (identified by 63 respondents);
- Lower taxes and provide tax breaks or incentives for small businesses operating in the Kootenays (identified by 21 respondents);
- Increase government funding and other support for small businesses (21 respondents);
- Facilitate, develop and promote training, education and apprenticeship programs in the communities (identified by 19 respondents);
- Facilitate more business growth by creating more partnerships and networks in the community by hosting local business seminars and conferences for small businesses to collaborate on industry opportunities (15 respondents);
- Work to improve the regulatory environment, particularly with respect to transportation, land development and importing (15 respondents);
- Build up the local area by making it more attractive for people to settle there or offer business incentives for businesses to setup operations in the region (11 respondents);
- Reduce the level of red tape and bureaucracy imposed by government on business owners (12 respondents);
- Create supportive programs that provide small business loans and grants particularly for small businesses (identified by 11 respondents);
- Encourage and promote sustainable practices throughout the province in the government and

various industries such as mining or forestry (7 respondents);

- Provide more affordable housing and lower property taxes in the Kootenays (6 respondents); and
- Regulate the activities of large corporations in the area to ensure they do not monopolize markets and put small companies out of business (2 respondents).

F. SURVEY RESULTS BY COMMUNITY

To develop a deeper understanding of the survey results, we cross-tabulated the responses by the five largest communities in the West Kootenay & Boundary that include: Nelson, Castlegar, Trail, Rossland, Grand Forks, Revelstoke. Care should be taken in interpreting the results given the small size associated with most of the communities. That being said, there are a few patterns. For example, Rossland and Revelstoke had the greatest percent of businesses planning to make significant new investments (46% and 40%) while Castlegar had the lowest (16%). The companies generating revenues over \$3 million were most likely to be found in Grand Forks (40%) while almost one-half of the companies surveyed from Nelson (48%), Castlegar (40%), Revelstoke (40%), and Rossland (54%) generated under \$250,000 in revenues. The average growth in sales varied widely by community because of the differing impact of rising commodity prices.

SUMMARY OF SELECTED RESULTS BY COMMUNITY

Key Issue	Nelson	Castlegar	Trail	Rossland	Grand Forks	Revelstoke
Characteristics						
Number of Respondents	87	25	22	13	11	10
Average Years in Operation	13	22	30	8	23	10
Percent With Head Office in Kootenays	99%	88%	100%	92%	91%	90%
Revenues						
Under \$250,000	48%	40%	14%	54%	30%	40%
\$250,000 to \$1 Million	32%	24%	41%	38%	20%	50%
\$1 Million to \$3 Million	13%	28%	27%	0%	10%	10%
Over \$3 Million	5%	8%	14%	8%	40%	-
Average Ratings						
High labour costs	2.0	2.7	2.7	2.6	3.4	2.7
Difficulties in accessing key inputs such as raw materials or supplies)	2.1	2.2	2.0	2.3	2.6	2.4
Your marketing capabilities and expertise in local and/or export markets	2.4	1.8	2.7	3.1	1.6	1.8
Limited access to information on local and export markets	2.0	1.5	2.1	2.3	1.5	1.5
Trade issues and barriers that make it difficult to export	1.6	1.8	1.5	2.1	1.2	1.3
Costs disadvantages in comparison to your competition	1.6	1.8	2.2	1.8	1.4	1.9
Difficulties in accessing the financing you need to expand and operate your business	2.1	1.8	2.4	3.3	2.0	2.2

Key Issue	Nelson	Castlegar	Trail	Rossland	Grand Forks	Revelstoke
Difficulties in acquiring and adopting new technology that could help your business	2.3	1.8	2.4	2.8	2.2	2.0
The costs and time associated with developing new products and processes	2.1	1.8	2.3	2.5	2.2	2.5
Access to research capabilities and research infrastructure	2.0	1.8	2.2	2.9	2.3	1.9
Your occupancy costs (e.g. rents, taxes and utilities)	1.4	1.3	1.7	1.8	1.3	1.2
Availability of suitable land and facilities for your business	1.4	1.5	1.3	2.2	1.1	1.4
Increasing competition	2.2	2.0	2.3	2.6	2.5	2.4
Transportation issues related to shipping goods to your customers (e.g. road, rail, port, air)	2.8	3.1	2.5	3.1	3.8	3.5
Transportation issues with respect to the ability of staff to travel to meet with clients and prospects	2.3	2.1	2.3	2.9	2.9	2.7
Weak or not growing demand for products and services in your sector	1.2	1.6	1.2	1.9	1.0	1.5
Telecommunications issues such as cell phone reception or internet access	2.2	2.7	2.4	2.8	2.9	2.4
Adequacy and/or reliability of power & utilities given your needs	1.3	1.2	1.1	1.9	1.2	1.3
Management skills	1.7	1.4	2.2	1.5	1.7	1.6
Government regulations	2.5	2.1	2.5	3.0	3.1	2.4
Taxes	2.3	1.9	2.6	2.1	2.6	1.7
Difficulties in finding or keeping qualified, capable workers	2.6	3.1	3.2	2.9	3.6	2.1
Investment Plans						
Percent planning new investment	21%	16%	19%	46%	18%	40%
Percent with room to expand at existing location	52%	48%	67%	23%	9%	30%
Percent expecting to still be operating at current location in 5 years	97%	99%	92%	85%	73%	70%
Revenues by Selected Sectors						
Natural Resources Industry	5%	7%	2%	1%	49%	9%
Retail Trade and End Consumers	20%	12%	-	64%	11%	48%
Transportation	31%	6%	-	-	3%	1%
Construction	13%	30%	-	6%	37%	38%
Other	31%	45%	98%	29%	0%	4%
Average Growth in Sales						
Total Past Year	17%	8%	96%	72%	15%	63%
Research and Development						
Percent Invested in R&D	20%	15%	29%	31%	40%	10%
Percent Claiming SR&ED	7%	4%	9%	31%	10%	10%

G. SURVEY RESULTS BY SIZE OF COMPANY

We also cross-tabulated the responses by four revenue categories including companies with revenues less than \$250,000, those with revenues between \$250,000 to \$1 million, those with revenues between \$1 million to \$3 million, and those with revenues over \$3 million. As indicated below, large companies are less likely to have their head office in the Kootenays, to identify labour and transportation issues as a constraint, to be planning a significant investment, undertake R&D and claim the SR&ED tax credit. The average growth in sales varied widely by the size of the company because of the differing impact of rising commodity prices.

SUMMARY OF SELECTED RESULTS BY SIZE OF COMPANY

Key Issue	Under \$250,000	\$250,000 to \$1 Million	\$1 Million to \$3 Million	Over \$3 Million
Characteristics				
Number of Respondents	87	67	30	16
Average Years in Operation	10	12	24	44
Percent With Head Office in Kootenays	99%	96%	97%	69%
Average Ratings				
High labour costs	1.7	2.7	3.1	3.3
Difficulties in accessing key inputs such as raw materials or supplies)	2.0	2.0	2.6	2.2
Your marketing capabilities and expertise in local and/or export markets	2.6	2.0	1.9	1.9
Limited access to information on local and export markets	2.1	1.7	1.9	2.1
Trade issues and barriers that make it difficult to export	1.6	1.7	1.7	1.6
Costs disadvantages in comparison to your competition	1.8	1.6	1.3	1.9
Difficulties in accessing the financing you need to expand and operate your business	2.3	1.9	1.7	2.3
Difficulties in acquiring and adopting new technology that could help your business	2.3	2.2	2	2
The costs and time associated with developing new products and processes	2.1	2.1	2.1	2.6
Access to research capabilities and research infrastructure	2.1	2.1	2.1	2.3
Your occupancy costs (e.g. rents, taxes and utilities)	1.3	1.5	1.5	1.6
Availability of suitable land and facilities for your business	1.4	1.7	1.5	1.7
Increasing competition	2.2	2.0	2.5	2.5
Transportation issues related to shipping goods to your customers (e.g. road, rail, port, air)	3.0	2.9	3.1	3.6
Transportation issues with respect to the ability of staff to travel to meet with clients and prospects	2.4	2.6	2.2	2.6

Key Issue	Under \$250,000	\$250,000 to \$1 Million	\$1 Million to \$3 Million	Over \$3 Million
Weak or not growing demand for products and services in your sector	1.4	1.2	1.5	1.2
Telecommunications issues such as cell phone reception or internet access	2.5	2.8	2.5	2.1
Adequacy and/or reliability of power & utilities given your needs	1.4	1.2	1.3	1.4
Management skills	1.5	2.0	2.0	1.8
Government regulations	2.2	2.7	2.9	3.1
Taxes	1.7	2.3	2.6	3.2
Difficulties in finding or keeping qualified, capable workers	1.7	3.1	3.7	4.3
Investment Plans				
Percent planning new investment	15%	31%	23%	44%
Percent with room to expand at existing location	9%	12%	13%	38%
Percent expecting to still be operating at current location in 5 years	95%	93%	98%	100%
Revenues by Sector				
Natural Resources Industry	1%	31%	21%	2%
Retail Trade and End Consumers	52%	32%	49%	-
Transportation	7%	1%	7%	3%
Construction	7%	11%	19%	1%
Other	33%	26%	4%	94%
Average Growth in Sales				
Total Past Year	12%	16%	11%	89%
Research and Development				
Percent Invested in R&D	10%	19%	23%	50%
Percent Claiming SR&ED	6%	10%	7%	25%

H. SURVEY RESULTS BY SECTOR

We cross-tabulated the responses from the five largest sectors including information technology, forestry or wood products, printing, mining or oil and gas, and environmental services or technology. Amongst the companies we surveyed, those in the forestry sector reported the highest growth while those in the environmental services or technology sector were most likely to be considering significant new investments, investing in R&D, and claiming an SR&ED tax credit. Difficulties in finding or keeping qualified, capable workers was an important issue for each of the sectors. The average growth in sales varied widely by sector because of the differing impact of rising commodity prices.

SUMMARY OF SELECTED RESULTS BY SIZE OF SECTOR

Key Issue	IT	Forestry or Wood Products	Printing	Mining or Oil & Gas	Environmental Services/Technology
Characteristics					
Number of Respondents	42	31	17	17	12
Average Years in Operation	8	24	19	24	14
Percent With Head Office in Kootenays	98%	97%	88%	82%	83%
Under \$250,000	64%	23%	47%	24%	54%
\$250,000 to \$1 Million	21%	35%	29%	35%	23%
\$1 Million to \$3 Million	10%	16%	18%	12%	8%
Over \$3 Million	-	23%	-	18%	8%
Average Ratings					
High labour costs	2.1	2.7	2.0	2.8	2.4
Difficulties in accessing key inputs (such as raw materials or supplies)	1.7	2.7	2.7	2.1	2.8
Your marketing capabilities and expertise in local and/or export markets	2.8	2	2.1	1.9	2.6
Limited access to information on local and export markets	2.3	1.6	1.9	2.0	2.0
Trade issues and barriers that make it difficult to export	2.0	1.9	1.7	1.3	2.0
Costs disadvantages in comparison to your competition	1.8	2.2	2.2	1.4	1.8
Difficulties in accessing the financing you need to expand and operate your business	2.8	2.5	2.6	1.7	2.2
Difficulties in acquiring and adopting new technology that could help your business	2.2	2.6	2.3	2.1	2.4
The costs and time associated with developing new products and processes	2.1	1.9	2.6	2.1	2.6
Access to research capabilities and research infrastructure	2.3	1.4	1.9	2.2	2.8
Your occupancy costs (e.g. rents, taxes and utilities)	1.4	1.5	1.5	1.1	1.3
Availability of suitable land and facilities for your business	1.6	2.2	1.6	1.2	1.4
Increasing competition	2.9	3.3	2.6	1.7	1.7
Transportation issues related to shipping goods to your customers (e.g. road, rail, port, air)	2.6	2.9	2.3	2.9	2.7
Transportation issues with respect to the ability of staff to travel to meet with clients and prospects	2.1	1.3	2.1	1.1	2.1
Weak or not growing demand for products	1.3	2.5	1.5	2.9	2.0

Key Issue	IT	Forestry or Wood Products	Printing	Mining or Oil & Gas	Environmental Services/Technology
and services in your sector					
Telecommunications issues such as cell phone reception or internet access	2.5	1.4	2.4	1.1	2.4
Adequacy and/or reliability of power & utilities given your needs	1.5	1.6	1.0	1.8	1.9
Management skills	2.1	2.7	2.3	2.8	1.8
Government regulations	1.9	2.4	1.6	1.9	3.5
Taxes	1.8	3.2	2.3	2.6	2.1
Difficulties in finding or keeping qualified, capable workers	2.3	2.7	3.4	2.8	2.8
Investment Plans					
Percent planning new investment	26%	29%	18%	12%	50%
Percent with room to expand at existing location	14%	16%	17%	6%	42%
Percent expecting to still be operating at current location in 5 years	96%	97%	95%	91%	98%
Revenues by Sector					
Natural Resources Industry	1%	10%	7%	-	49%
Retail Trade and End Consumers	74%	3%	89%	-	31%
Transportation	-	0%	0%	-	-
Manufacturing	1%	49%	1%	99%	-
Other	24%	38%	3%	1%	20%
Average Growth in Sales					
Total Past Year	16%	17%	12%	99%	17%
Research and Development					
Percent Invested in R&D Development	14%	16%	12%	24%	42%
Percent Claiming SR&ED	12%	3%	6%	6%	17%

The IT sector is a key component of the technology industry. We have not attempted to break out technology companies that may be categorized in other sectors in this analysis because of the absence of a consensus definition for the technology sector. However, a separate project is being undertaken in association with the British Columbia Regional Science & Technology Network which will use the data from this project to develop a profile of technology companies across the province and will use the data collected through this research in presenting a profile of the technology companies in the West Kootenay/Boundary in a similar format to the table above.

IV. IMPLICATIONS FOR STRATEGIC PLANNING

This project has focused on developing a business inventory and conducting interviews with a broad cross-section of companies. As KAST and other partners work towards possible development of a Regional Development Strategy for the West Kootenay/Boundary, it is anticipated that further research will be conducted into key issues such as land and infrastructure capacity, growth or expansion opportunities, and supply chains which will provide a context for assessing the findings and defining future strategies and actions at both the regional and community levels. While we are not in a position at this stage to make recommendations regarding specific strategies that should be incorporated into a Regional Development Strategy, this chapter highlights some of the specific findings that should be taken into consideration in possible future phases of this initiative. More specifically, we have:

- Prepared a preliminary SWOT analysis, which summarizes some of the strengths, weaknesses, opportunities and threats identified through the interview process; and
- Identified specific issues that should be considered and possible strategies or actions that could be considered to address each.

A. PRELIMINARY SWOT ANALYSIS

Some of the potential opportunities, strengths, weaknesses and threats that could be considered in future phases are outlined in the table on the following page. As indicated, the manufacturing and technology industry can build on some key strengths including the high quality of life, the well-established business base, strong community support for local businesses, a rising population base and expanding local economy, the high level of development activity in the region, the commitment of businesses to staying in the region, proximity to key markets, access to natural resources and other key inputs, the range and quality of products available locally, and existing business support services. These strengths provide opportunities to further develop local, regional, Canadian and international markets and to replace some of the goods currently imported into the region.

However, taking advantage of these opportunities will require addressing some of the constraints to business development such as labour shortages, concerns about the transportation and telecommunications infrastructure as well as potential access to land and facilities needed for future expansion, under-developed management and marketing capabilities, limited access to capital for some businesses, and the absence of a coordinated plan and approach to regional development. In addition, the region faces some external threats related to increasing competition from other regions (particularly for workers), the impact of the rising value of the Canadian dollar and rising costs of living, and the impact of an aging population on the size of the local work force.

B. POTENTIAL STRATEGIES AND ACTIONS

Through the interviews, we have identified a number of key issues which could be addressed in a Regional Development Strategy. We have grouped these issues into five main categories or pillars including:

- **People**, which focuses on the need to increase access to skilled and unskilled workers as well as managers;
- **Markets**, which focuses on the need to enhance the marketing resources and capabilities of companies in the region;

**PRELIMINARY LIST OF STRENGTHS, OPPORTUNITIES, WEAKNESSES AND THREATS
FACING THE MANUFACTURING AND TECHNOLOGY INDUSTRY IN THE WEST
KOOTENAY/BOUNDARYS**

Opportunities

- Opportunities to replace goods imported by local businesses from outside of the region
- Opportunities for further development of local markets as well as markets in Alberta, the rest of BC, the US, and elsewhere
- Opportunities to increase sales to expanding regional sectors (e.g., mining, forestry, tourism, wholesale & retail trade, and construction)

Strengths

- Strong community support for local businesses
- Proximity to key markets, raw materials, and key infrastructure such as mills
- The strength of the local economy in areas such as construction, tourism, mining, technology and forestry
- High quality of life
- Rising population base and expanding local economy
- High level of development activity
- Commitment of businesses to staying in the region
- Access to natural resources and other key inputs
- Quality, innovativeness and range of products available locally
- Some business support services and loans programs are available
- Well-established business base

Weaknesses

- Transportation issues (roads, highways and proximity to/reliability of air access)
- Telecommunications infrastructure (high-speed internet and cell)
- Shortage of skilled workers, unskilled workers and managers
- Rising labour costs
- Access to training and education
- Future access to land, facilities and office space needed for expansion
- Under-developed management and marketing capabilities/limited access to marketing information
- Trade issues and barriers
- Concerns about the business environment (taxes, and regulations such as import and export, WCB, and local building regulations)
- Limited access to capital for some businesses
- Absence of a coordinated development plan/concerns about the ability of the region to handle growth
- Access to inputs (e.g. timber)

Threats

- Increasing competition from other regions including particularly strong competition from Alberta firms and others for workers
- Increasing exchange rates, which impact cost competitiveness vis-a-vis the US and other competitor regions
- Impact of the rising costs of living in the region
- Aging of the population which is impacting on the number of people entering and exiting the work force

- **Infrastructure**, which focuses on the need to improve the transportation and telecommunications infrastructure as well as ensure that there will be access to land and buildings necessary to facilitate future development and expansion.
- **Business Environment**, which focuses on the need to ensure that the industry will benefit from a strong economic and regulatory environment and can access needed business development and support services.
- **Capital**, which focuses on ensuring that businesses have access to needed equity, debt financing and government funding to support their future development.

1. People

The manufacturing and technology sectors require qualified people at all levels from entrepreneurs, managers, and sales personnel to machinists, technicians, and other skilled workers. In large part, development will be determined by the ability to retain key workers in light of strong competition from other regions and sectors, build strong links into the K-12 education systems to retain youth in the communities and attract them into the industry, further develop training, diploma and degree programs capable of meeting industry needs, further train and educate people already in the industry, and attract experienced and qualified people from outside of the region or from other sectors. Based on our experience in development of economic development plans and strategies in other regions, some of the steps that could be considered to meet the future human resource needs of the industry include:

- Encourage the development of training, education and apprenticeship programs for skilled workers and managers. Business owners noted the absence of training and education programs available locally;
- Encourage youth to consider education and career opportunities related to the industry through initiatives such as in-school programming and a collaborative marketing campaign to raise awareness of career opportunities amongst both students and student counselors at the secondary level;
- Strengthen the linkages between training & education programs and industry by encouraging industry to participate in internship programs, co-operative programs, mentorship programs, and program advisory committees;
- Review opportunities to establish or expand brokerage services to link employers and prospective employees;
- Develop human resource strategies for specific areas, sectors or segments of the industry;
- Increase industry awareness of local and online education and training opportunities including management development resources and programs;
- Disseminate information on best practices in human resources development;
- Implement attraction initiatives targeting skilled individuals from outside of the region and from other sectors through marketing programs, events which create opportunities for companies to connect with potential employees, repatriation promotions, and a recruitment portal or information office.

2. Marketing Capabilities

The industry needs to identify, develop and access local, regional, provincial, national, and international markets. To achieve its potential, the manufacturing and technology sectors will require a clear understanding of customer needs and market opportunities (including opportunities for import substitution), access to market knowledge and market intelligence, resources for marketing and market research, and marketing skills and capabilities. In addition to addressing the need to expand training and other support related to marketing and management, some of the steps that could be considered to strengthen the marketing capabilities of manufacturing and technology companies in the West Kootenay/Boundary are to:

- Increase access to information on market opportunities by undertaking market studies, communicating the results, and working to develop a central knowledge repository of information for the industry that will help close the gap between market intelligence and effective business practices;
- Encourage the development of joint marketing activities and strategic alliances involving companies from the region and potentially from other regions;
- Develop a branding strategy or buy local program for the West Kootenay/Boundary. Regional showcases of industry products and expertise could be incorporated into key events and a database and/or directory of regional industry capabilities could be developed; and
- Identify and broker opportunities for local suppliers to increase their sales to local companies. Leading purchasing agents from government and industry could be contacted directly.

3. Strengthen the Supporting Infrastructure

There is a need to ensure that the regional transportation infrastructure (road and air), telecommunications infrastructure (internet and cellular telephone) and inventory of suitable commercial, industrial and office space expands to meet the needs of a growing region and industry. A major focus of future research should be to assess the supporting infrastructure and develop recommendations for future development through:

- Compiling information on land and infrastructure capacity;
- Conducting interviews with municipal, regional and provincial representatives regarding land and infrastructure sector development plans, capacity and requirements;
- Incorporating land and infrastructure data into the development sector asset maps using a GIS platform; and
- Staging community focus groups to obtain further input from community, regional and industry partners and stakeholders regarding the key issues and potential strategies for future infrastructure development.

4. Business Environment and Support

The rate of industry development can be affected by the commitment of government, industry and others to fostering growth, access to business development and support services, and the strength of the regulatory and economic environment in which the industry operates. Some of the steps that could be considered to strengthen the business environment and support for companies in the West Kootenay/Boundary are to:

- Once prepared, facilitate ongoing implementation of the Regional Development Strategy obtaining stakeholder buy-in to the plan, assigning responsibility for implementing various aspects and establishing processes for monitoring implementation and updating the Strategy on a regular basis.
- Recognize success stories in the industry. One option is to recognize leaders and innovators within industry through regional awards programs.
- Expand opportunities for networking. The objective is to create opportunities that connect companies with each other, potential suppliers and customers, researchers, technology developers, potential investors and partners, and others across the region, province, Canada, and internationally.
- Continuously seek to improve the environment for business in the West Kootenay/Boundary by working with municipalities, regional districts, the Provincial Government, and other key stakeholders such as the Chamber of Commerce to address key issues facing the industry.
- Implement an investment attraction strategy for the region. Key components of an investment attraction strategy could include a strong website, attendance at key events, staging of inbound and outbound missions, and establishment of an ambassador program which would recruit industry and other representatives to serve as ambassadors promoting the region.
- Increase access to business support services as well as support related to technology development and commercialization.

5. Access to Capital and Other Sources of Funding

The development of companies, particularly technology companies, can be the function of access to equity capital, debt capital, and other sources of funding such as IRAP and SR&ED tax credits. In turn, access to capital can be a function of industry awareness of sources of government funding and support, the investor-readiness of companies (factors such as being at an early stage of development, limited understanding of capital markets, shortage of business and marketing skills, lack of a solid business plan, and limited business experience can contribute to a lack of investor-readiness among manufacturing and technology companies), regional access to angel capital and other early stage capital, availability of loan capital, and the propensity of sources from outside the region to invest in West Kootenay/Boundary companies. Some of the steps that could be considered to increase access to capital and other sources of funding include:

- Increase the level of awareness of existing funding and support programs amongst local industry through increasing access to program information and organizing events and visits that bring together company and program representatives.
- Examine options to increase access to early stage funding through strengthening links to the angel capital community or promoting development of community investment funds.
- Implement investor readiness initiatives that complement available business development services and provide assistance to management in specifically preparing for funding (e.g. provide educational opportunities, expert advice, mentorship support, or guidance in the preparation of business plans).

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