

**THE PORT OF PRINCE RUPERT:
OPPORTUNITIES AND CHALLENGES FOR SMALL BUSINESS IN BC'S
NORTHERN CORRIDOR**

by

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Abstract

The Port of Prince Rupert development (the port), located in BC's Northwest corner and part of Canada's Pacific Gateway Strategy, has stimulated great promise for economic prosperity for Canada, British Columbia, and BC's Northern Corridor (the corridor). Research indicates that small business is a significant contributor to the economic health of the province, regions, and communities in BC. This project seeks to identify if there are specific opportunities for small business and the communities in which they reside in relation to the port. A literature review and focus-group conducted in Smithers, BC as part of this research concludes that there is currently little direct economic opportunity for small business and communities in BC's Northern Corridor related to the Port of Prince Rupert development. The research reveals, however, that critical support resources and collaboration with proponents of CN Rail and the Prince Rupert Port Authority could provide communities and small businesses with prospects for economic development.

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Chapter 1

Introduction

Canada's Pacific Gateway Strategy, also known as the Asia-Pacific Initiative (API) or Asia Pacific Gateway Corridor Initiative (APGCI), is a combined federal, provincial, and private strategy designed to ensure Canada's economic prosperity by capitalizing on the rapid expansion of Asia-Pacific trade opportunities (Dibenedetto, 2007; Government of British Columbia, 2009-2010). Investing in multi-modal transportation systems designed to capture these swift moving Asian trade opportunities the Pacific Gateway Strategy's long-term vision to 2020 will ensure "British Columbia is the preferred gateway for Asia-Pacific trade and has the most competitive port system on the west coast of the Americas" (Government of British Columbia, 2006).

A key component of the Pacific Gateway Strategy is the development and expansion of the Port of Prince Rupert. The effects of the port development on the economy of Northern British Columbia (Northern BC) have been identified as significantly important to the economic future of the region (Government of British Columbia, 2009-2010; Government of British Columbia, 2011; InterVISTAS Consulting Inc., 2006; InterVISTAS Consulting Inc., 2010). The publicity surrounding the port development has been prolific, repeatedly citing the benefits to communities along BC's Northern Corridor from Prince Rupert to Prince George. Little, however, has been written about the impacts at the local community level in terms of economic benefits and opportunities or the absence thereof.

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In recent years, BC's Northern Corridor has experienced a shift in economic development policies from a prescriptive 'one plan fits all', to a regional approach (Markey, Halseth, & Manson, 2008). Northern Corridor communities and the businesses and industries that reside in them are taking an active role in shaping their local economies (Markey, Halseth, & Manson, 2007a; Markey, Halseth, & Manson, 2008). As a result of the crippling effects of slumps in mining, the pine beetle epidemic, and global forest product prices in the 1980s and 1990's on resource dependent communities in Northern BC, the private and public sectors have recently sought economic diversification (Markey, Halseth, & Manson, 2006).

Researching the needs of communities and the region required to achieve economic diversity and growth in BC's Northern Corridor demonstrates the vital role of small business as a contributor to the provincial, regional, and local economies. The success of community development is largely dependent on the vigor of its small business community (Arikan, 2010; Halseth, Straussfogel, Parsons, & Wishart, 2004; Julien & Lachance, 2001). Community and regional economic prosperity will be realized by the success of small businesses in identifying and accessing the opportunities within their grasp. That success will be determined by the availability of resources with which to support small business endeavors.

As such, an examination of the opportunities presented by one of Northern BC's largest infrastructure developments in recent history, The Port of Prince Rupert (Wilson & Summerville, 2008), on the regional economy, communities, and particularly the small businesses which reside in them, bears consideration.

1.1 Objectives

Small business plays a critical role in community, regional, and provincial economic development in BC. The substantial contribution of entrepreneurs in identifying and advantaging business opportunities is evident in the literature.

In order for communities and regions in BC's Northern Corridor to prosper, small businesses will need to have the resources and tools to access opportunities presented by a large scale development such as the Port of Prince Rupert and others. Without diversification at the community and regional level BC's North may be doomed to repeat the boom and bust cycles of resources dependent towns that BC's Northern communities have traditionally experienced (Halseth, Manson, Markey, Lax, & Buttar, 2006; Markey, Halseth, & Manson, 2006; Markey, Halseth, & Manson, 2008).

The objective of this project is to illuminate the important links between the Port of Prince Rupert development, the regional and community economies of BC's North, and the role of small business in the economic success of Northern Corridor communities.

1.2 Research Scope

This project examines the broad picture of the Port of Prince Rupert and its effect on regional economic development in BC's Northern Corridor, specifically on the small businesses of Smithers, BC.

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BC's Northern Corridor is defined as the Highway 16 route from Prince George to Prince Rupert and beyond to the Alberta border (Wilson & Summerville, 2008). For the purpose of this project we concern ourselves with the stretch of Highway 16 from Prince Rupert to Prince George and the communities located therein (Halseth, 2010; Halseth, Manson, Markey, Lax, & Buttar, 2006).



Figure 1: Study Region of Northern BC

1.3 Research Questions

- Are there opportunities presented by the Port of Prince Rupert development for small businesses in communities in BC's Northern Corridor, specifically Smithers, BC?
- What resources could improve access to economic opportunities for small businesses, communities, and the region?

1.4 Methodology

The methodology employed in this project was designed to capture the relevant elements of a regional economy that would encourage economic development at the community and small business level within the reach of a large scale development project, in this case, the Port of Prince Rupert. In addition, the role of small business in regional and community economic progress was examined in the context of its importance to provincial, regional, and community economic development.

Evidence of the opportunities presented by the Port of Prince Rupert development to and by large scale operations in the forest products, transportation, and coal sectors, for instance, is readily available. The literature review for this project reveals, however, that there is little written about the specific potential for small business in relation to a development project such as the Port of Prince Rupert. The literature review also reveals the significant contribution of small business to economic development in the province of BC. In light of this, an investigation into the prospects for small businesses and the communities in which they reside in BC's Northern Corridor in the context of the Port of Prince Rupert development and other large scale projects in the region is imperative. The shifting economic landscape of BC's North is important to the proponents of community and economic advancement. As research discloses, community development agencies and entrepreneurs require the tools to assess and advantage the opportunities in their region.

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With the importance of the contribution of small business to community and regional expansion in mind and the much publicized contribution of the Port of Prince Rupert development to the economy of BC's Northern Corridor, this project attempts to illuminate if there are: 1) opportunities for small business with respect to the port development and 2) the resources required to recognize and access those opportunities. A focus-group in Smithers, BC, with representative members of the selected community, was conducted in addition to a literature review of the relevant topics related to:

- Pacific Gateway Strategy
- Port of Prince Rupert
- Regional economic development in Northern BC
- Small business development in the region
- Opportunities for small business with respect to the port

This project examines the following elements:

- The history of economic policy and development in Northern BC
- The regional economies in BC's Northern Corridor and their current position in relation to the port
- The existing literature on the Pacific Gateway Strategy and the Port of Prince Rupert
- The role of small business in BC's Northern regional economies and their growth opportunities in relation to the port development

1.4.1 Focus-Group

Focus-groups and in-depth interviews are among the most commonly used methods in qualitative research. Focus-groups offer a low cost method to obtain valuable information particularly in a case where the subject is not sensitive, the participants represent small groups of interest, and when there is little quantitative research on a subject (Milena, Dainora, & Alin, 2008). A Practical Guide to Focus-Group Research (Breen, 2006) suggests determining whether your research would benefit from asking focus-group participants to:

- Share and compare their experiences with each other
- Develop and generate ideas
- Explore issues of shared importance

If the answer is “yes” to the questions above, a focus-group will be an instructive addition to the quantitative research (Breen, 2006). In view of the limited quantitative literature regarding the port development and the opportunities it may or may not provide for small business, a focus-group could provide invaluable qualitative research to support the existing literature reviewed for this project.

Prior to the scheduled focus-group participants were selected, contacted by phone, given a brief description of the project, and asked to participate. Those who agreed were emailed the date, time, and a copy of the Information Consent Form as required by the Research Ethics Board of UNBC.

Seven participants from the town of Smithers, BC and surrounding area participated in the focus-group. The participants representing mining, forestry, tourism, transportation, education, and community and small business development offices were given a brief description of the purpose of the project.

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Questions designed based on accepted methodology in focus-group research were posed during the two hour session to stimulate a vigorous discussion and culminate in suggestions and conclusions (See Appendix 1). The discussion was captured on a recording device along with a written summary of key points that were summarized on a large flip chart. The diverse group were actively engaged and very interested in the topic of discussion. The summaries of results of the focus-group are included in Chapter 5 of this project.

The focus of this project is on non-Aboriginal small businesses, defined as businesses with less than 50 employees including self-employed individuals. No Aboriginal individuals participated in the focus-group portion of this project; however, it is recognized that the Port of Prince Rupert development and other projects in the region may have significant economic importance to First Nations residing in BC's Northern Corridor. Unfortunately, time constraints placed limits on the inclusion of this important aspect of economic and business development in the region. Further study outside the scope of this project will be required to properly include the important perspective of all First Nations residing in the region with respect to the port development (See Section 6.1: Areas for Further Study) .

1.5 A Guide to the Following Chapters

Throughout the following chapters some of the dialogue and insights gained from the focus-group discussion, detailed in Chapter 5, will be included as they relate to the existing literature reviewed for each chapter. To give context to the current economic framework in Northern BC, Chapter 2 will review the economic transformation that has taken place over the last century and specifically since the 1980s.

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Understanding this transformation leads to a clearer perspective of the challenges and opportunities facing Northern Corridor communities today. Chapter 3 examines the Pacific Gateway Strategy and specifically the Port of Prince Rupert development and its significance to the economies of the province, Canada, and specifically BC's Northern Corridor. In Chapter 4, the important role of small business in regional economic development will be studied in order to understand the relationship between small businesses and the economic potential of Northern Corridor communities. Chapter 5 discusses the dialogue and recommendations of the focus-group conducted in Smithers, BC regarding the opportunities and challenges of small businesses and communities, as they relate to the Port of Prince Rupert development. Finally, in Chapter 6 the conclusions of this research will be discussed.

Chapter 2

Economic Policy and Development in Northern BC

2.1 History of Economic Development in Northern BC

The unique history of economic development in BC's Northern Corridor is included here in order to give context to the discussion surrounding the current shift in economic development in the region. This shift has transferred a large portion of the decision making mechanism to the regional and community level. Therefore, demonstrating the relevance in this research of the history and change when attempting to identify and analyze economic opportunity at the regional, community, and small business level in the current framework is essential.

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Over the last two centuries the social, cultural, economic, and political vista of Northern British Columbia (BC) has experienced accelerating and dynamic change (Halseth et al., 2006). Accounting for close to 70 per cent of the province's land mass and housing only about 10 per cent of the population, the region has traditionally been a resource based economy dependent on mining, power generation, tourism, and most importantly forestry (Markey, Halseth, & Manson, 2006; Markey, Halseth, & Manson, 2008).

During the 1950s and 1960s the province of British Columbia experienced a 25 to 30 year period of accelerated economic and community growth across the region (Halseth, Straussfogel, Parsons, & Wishart, 2004; Markey, Halseth, & Manson, 2008). Williston and Keller (1997) describe the Province of BC's public policy approach as based on a model of industrial resources development. New communities sprang up during this high development era in order to support the extraction of the province's abundant resources (Markey, Manson, & Halseth, 2007b; Markey, Halseth, & Manson, 2008).

Staples theory, which posits the economic development of Canada as a result of exploitation of natural resources supported by outside capital and technology investment, accurately describes the course of development in Northern BC. Public policy and industrial pursuits have supported the development of infrastructure and communities designed to acquire and export the raw resources of the North while simultaneously funneling revenues to urban centers in the lower part of the province (Markey, Halseth, & Manson, 2006).

In the Canadian context, BC's Northern Corridor is a typical rural and small-town area; a single large city at the core, Prince George, population 87,247, surrounded by small towns with populations ranging from 5,000 to 20,000 people and interspersed with rural hamlets of less than 1,000 people (BC STATS, 2010; Markey, Halseth, & Manson, 2006).

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In the early 1980s, in the wake of a recession, a shift occurred in the development of the BC economy. For the first time since World War 2, the population of BC's North began to decline; at the same time, the end of Fordismⁱ signaled change in the social and political landscape of the North (Halseth, Straussfogel, Parsons, & Wishart, 2004; Markey, Halseth, & Manson, 2006). This shift necessitated a restructuring within the province that continued throughout the 1990s and beyond. The policy changes during this period were characterized by a retraction of social and economic support by the provincial and federal governments, occurring not only in BC but across Canada and in other industrialized nations (Markey, Halseth, & Manson, 2008).

These changes are driven in part by a call for regional autonomy, but also in a negative context by a desire for provincial and federal powers to relieve themselves of the financial and fiduciary responsibility for maintaining and investing in services in rural communities (Markey, Halseth, & Manson, 2008). Recent provincial and federal governments have made moderate attempts at facilitating the transition of responsibility for economic development at the regional level, to a bottom-up development model. This has created considerable pressure on local and regional governments' attempts to maintain health, human resources, infrastructure, and other critical services in their communities (Markey, Halseth, & Manson, 2008).

Understanding the history of regional economic development in the North leads us to a clearer comprehension of the challenges currently facing communities with respect to driving their own economic development. As this research demonstrates, small businesses, like the communities in which they reside, are also grappling with challenges such as access to capital, development support services, and information regarding the opportunities within their geographic region.

2.2 Current Regional Economic Development in Northern BC

Rural and small town BC is on the brink of community and economic renewal as a result of changes in the global economy. Halseth (2010) suggests the two most important factors of this renewal are that small towns generate the bulk of the provinces export wealth and that rural and urban regions are linked in a complex and dependent way. In addition, Markey, Halseth, & Manson, (2008) identify three critical objectives that Northern BC communities must achieve in order to succeed and prosper on their own terms going forward:

- A vision for the future of the North and a cohesive voice with which to express their objectives
- Local control over revenue and resources
- Ensuring the diversity and inclusivity of the region

In order for economic renewal to occur, rural and small town BC must move away from dependence solely on natural resources. In addition, rural and small town communities must be adaptable to change in the fast paced global economy and must make investments in human capital, infrastructure, and community capacity (Markey, Halseth, & Manson, 2008).

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Finally, according to Halseth (2010), rural economic policy must focus on “place-based” economic development by offering a distinctive blend of regional assets that will entice business, individuals, and corporations to invest in a unique region or community as opposed to elsewhere (Halseth, 2010; Markey, Manson, & Halseth, 2007b; Markey, Halseth, & Manson, 2008).

Provincial policy and action from the top must support bottom-up regional and community initiatives designed to enhance transportation, communication, local services, and facilities. Rural regions, such as those located in BC’s Northern Corridor, will need to collaborate in order to grasp the opportunities for change and growth (Halseth, 2010). The idea of distinctive regional assets designed to entice businesses and investment was confirmed by the focus-group. Participants suggested that communities in BC’s Northern Corridor, and in particular Smithers, need to brand and market themselves in order to extol the North’s virtues to potential entrepreneurs and investors. In addition, a collaborative representation on the regional level was suggested in order to highlight the economic diversity and opportunity in BC’s North.

The current demand for natural resources, accelerated by the needs of rapidly developing Asian countries, has created an economic boom in Northern BC (Markey, Halseth, & Manson, 2007a). The Northern BC Economic Development Vision and Strategy Project (Halseth, Manson, Markey, Lax, & Buttar, 2006) indicates a need and a desire for a strategic plan that will guide policy development and investment in community economic rejuvenation in BC’s North.

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There is a consensus that Northern regions and communities desire autonomy at the local level. However, Markey, Halseth, & Manson (2007a) suggest that a critical analysis of the effectiveness of local control and implementation strategies is needed.

Research indicates that a lack of local capacity and adaptable human capital, ineffective development support agencies, and an absence of inter-community cooperation are an impediment to the success of bottom-up regional development (Markey, Halseth, & Manson, 2007a). Furthermore, a cohesive Northern vision regarding development is missing. While small communities across Northern BC engage in dialogue regarding opportunities for diversification, revitalization plans are disregarded in favor of on-going resource extraction (Markey, Halseth, & Manson, 2007a).

The focus-group recommended that in order to capture the opportunities presented by the port development and other large scale projects, local facilities, a skilled work-force, and effective financial and support agencies must be available in order to enhance entrepreneurial endeavors. The group identified a lack of these resources as a current barrier to accessing opportunities. In addition, the focus-group recognized “inter” and “intra” community dialogue as critical to identifying potential for economic growth.

In order to achieve the cohesive vision required for Northern BC to successfully navigate future economic development, several critical issues must be addressed. First, policy makers must be made aware that Northern economic renewal is not a short term project. Often, political policy changes undermine previous hard work, leaving regional development efforts grappling with inconsistencies in the economic framework. Second, plans for Northern economic development must address jurisdictional considerations (Markey, Halseth, & Manson, 2007a; Halseth, Manson, Markey, Lax, & Buttar, 2006).

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If a successful transfer of top-down to bottom-up authority is to take place then all parties must invest in enhancing, rather than replacing, the existing municipal and regional entities. Lastly, an extensive plan to address the North's aging, inadequate infrastructure is needed (Markey, Halseth, & Manson, 2007a; Halseth, Manson, Markey, Lax, & Buttar, 2006).

In Halseth et al (2006) the strategic direction a Northern BC vision must encompass is summarized. Foremost in much of the discussion is a need for education and training in order to facilitate community capacity building along with the following strategic focus:

- Education and training
- Community capacity building
- Youth opportunities
- Economic strength and diversification
- Financing, investment, and funding
- Infrastructure
- Marketing and branding
- A collective voice
- Partnerships in decision-making
- A framework
- A Northern context
- Support mechanisms
- Building blocks for community development

(Halseth, Manson, Markey, Lax, & Buttar, 2006)

As detailed in Chapter 5 of this project, participants of the focus-group identify many of the components listed above as necessary for a successful regional and community strategy.

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Although the group suggests that some strides have been made in these areas, particularly support from local development agencies, it seems that in the six years since these needs were identified there has been a lack of progress in strategic implementation. The reasons for this remain unclear, but are suggestive of a failure to act due to a lack of support and collaboration from all proponents, including community, small business, industry, and regional and provincial governments.

BC's Northern Corridor communities, such as Smithers, can offer assets currently in high demand by workers and industry. The focus-group in Smithers discussed the resources required to facilitate the attraction and retention of the necessary human capital needed to access the current economic opportunities. These resources were outlined in Halseth, (2010):

- High quality of life
- Affordable housing
- Safe community to raise a family or retire
- Well educated workforce
- Younger demographic relative to other OECDⁱⁱ countries
- Availability of support services
- Affordable and available commercial and industrial property

Chapter 3

The Pacific Gateway Strategy

3.1 Drivers of the Pacific Gateway Strategy

Synthesized from the Pacific Gateway Act (Bill C-68), which was introduced by the federal government on October 21, 2005, the Pacific Gateway Strategy is designed to capitalize on the rapid expansion of Asia-Pacific trade opportunities (Asia-Pacific Gateway Foundation of Canada, 2011). By 2020, China is forecast to be the world's largest economy and along with Japan, India, Taiwan, and South Korea are predicted to be the most significant economic forces of the 21st century (Government of British Columbia, 2006; Government of British Columbia, 2009-2010). Figure 2 below highlights the upward trend of BC origin exports to China, Taiwan, South Korea, and India over the last decade (BC STATS, 2012).

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
United Kingdom	355	337	306	341	421	386	401	405	266	294	417
Germany	382	321	381	428	471	443	464	516	234	379	281
People's Republic of China	727	756	920	1,225	1,325	1,486	1,723	1,962	2,501	3,880	4,865
Hong Kong	218	208	180	252	213	199	166	238	210	238	260
Taiwan	315	339	433	487	499	521	462	598	463	494	723
Japan	4,066	3,859	3,660	3,805	4,164	4,710	4,135	5,026	3,551	4,193	4,684
South Korea	712	725	777	910	1,168	1,365	1,308	1,961	1,664	1,886	2,734
India	118	120	109	133	197	346	234	159	77	135	201
Australia	173	187	202	224	180	172	224	218	179	220	273
Mexico	83	79	109	198	237	185	196	344	162	192	161
United States	22,104	19,666	18,793	20,137	22,101	20,517	19,077	17,582	12,920	13,276	13,979
other	2,426	2,231	2,396	2,867	3,192	3,137	3,135	4,116	3,012	3,534	4,211
Total International Exports	31,680	28,828	28,265	31,008	34,167	33,466	31,524	33,124	25,240	28,721	32,790

Figure 2: BC Origin Exports to Selected Destinations (BC STATS, 2012)

3.2 BC's Role in the Pacific Gateway Strategy Implementation

Currently, China is Canada's second largest trading partner and BC's largest offshore trading partner. The explosive growth of BC exports to China is demonstrated by the dollar value of goods increasing from \$706 million in 2000 to over \$4.8 billion in 2011 as indicated in Figure 3 below. This growth of BC exports to China and other Asian markets is a powerful driver of the Pacific Gateway Strategy. In addition, British Columbia is geographically located to provide North American exporters access to these Asian markets, and more than any other province in Canada, use this geographic advantage to diminish their reliance on the US economy (British Columbia: Canada's Gateway to Asia, 2010).

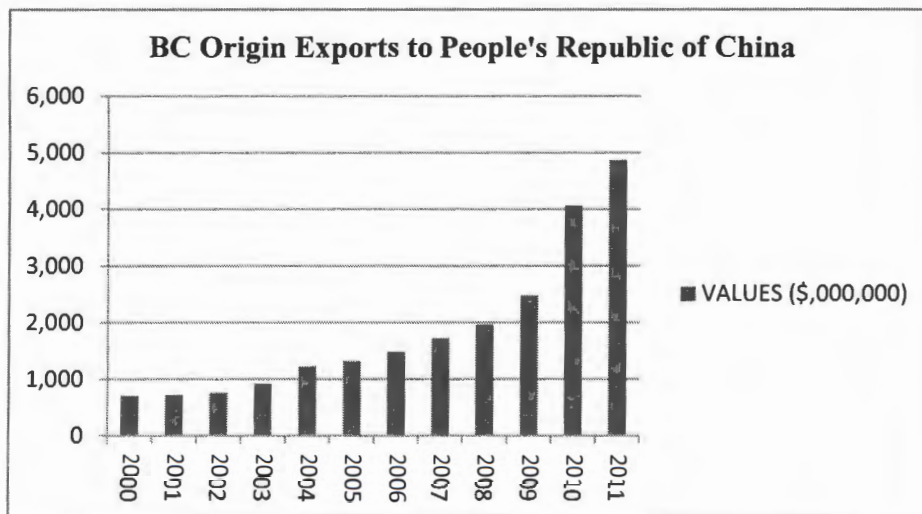


Figure 3: BC Origin Exports to People's Republic of China (BC STATS, 2012)

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In early 2010, the BC Ministry of Finance issued restrained forecast figures predicting BC's Gross Domestic Product (GDP) would increase by 2.3 per cent in 2011 and 2.7 per cent in 2012, reflecting caution regarding the recovery of the US economy. These projections are well below projections published by the Economic Forecast Council (EFC), which sees growth reaching 2.9 per cent in 2010 and 3 per cent or more in each of the next four years (British Columbia: Canada's Gateway to Asia, 2010). Actual BC chainedⁱⁱⁱ GDP figures for 2010 show a 5.3 per cent increase over 2009 (BC STATS, 2012; Province of British Columbia, April 2010 - March 2011).

In spite of restrained economic forecasts for BC, Asia-Pacific container traffic is projected to increase by 300 per cent and China predicts it will quadruple its year 2000 GDP by 2020. BC is taking advantage of its opportunity to capitalize on this growth through the Pacific Gateway Strategy, including the expansion of the Port of Prince Rupert (Government of British Columbia, 2006).

3.3 The Port of Prince Rupert Development

The vision of the collective private and public enterprises supporting the Pacific Gateway Strategy with respect to the Prince Rupert Port development is to expand BC's and Canada's trading links with Asia and the Pacific Rim (Government of British Columbia, 2006; Wilson & Summerville, 2008).

Currently, trade between BC and the Asia Pacific region has remained over \$20 billion annually since the launch of the Asia Pacific Initiative in 2007 and in spite of the recent economic downturn. In fact, in the 2009-2010 fiscal years, container shipments at the Prince Rupert Port increased over 2008-2009 by 62 per cent (Government of British Columbia, 2009-2010).

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Since 1998 Canadian Ports, including the Port of Prince Rupert, have been under the jurisdiction of the Canadian Port Authorities giving the ports independence from government oversight and autonomy with respect to their commercial operations. The Port of Prince Rupert is governed by a local board of directors responsible for all decisions related to the port operations. In spite of this independence, the federal government has, in part, funded the port development in Prince Rupert through the Western Economic Diversification Canada program (Government of Canada, 2011; Prince Rupert Port Authority, 2011; Wilson & Summerville, 2008).

3.3.1 Advantages and Disadvantages of the Port of Prince Rupert

In a 2007 media interview, Prince Rupert Port Authority CEO, Don Krusel indicated that rapidly expanding containerized trade with Asia, especially China, would give the Prince Rupert Port an important competitive advantage. In the past, the Prince Rupert Port was overlooked as a contender in the container port industry due to its lack of proximity to a large urban centre (Mongelluzzo, 2011). Today, that impediment is considered an advantage since west coast ports were severely overwhelmed a few years ago by the onslaught of Asian shipping containers (Dibendetto, 2007b). Shippers began looking for alternatives to US ports when labor unrest and capacity problems at California ports occurred. Nike, for instance, looked to Prince Rupert as an alternative for goods headed to Chicago. Roger Sklar, Director of Global Logistics for Nike's North American supply chain said, "We have a strategy for port diversification, and this is part of it" (Mongelluzzo, 2011).

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The Port of Prince Rupert is an appealing transportation hub for North American exporters scrambling to take advantage of swelling Asian demand. In addition, exporters are enticed by the efficient shipping times of the port; Chicago to Shanghai is two days shorter through Prince Rupert than Los Angeles and Prince Rupert is two days closer to Asia than Seattle or Tacoma and three days closer than Los Angeles-Long Beach (Bonney, 2009; British Columbia: Canada's Gateway to Asia, 2010).

Although Prince Rupert, located more than 500 miles north of Vancouver with a population of only 14,000, seemed an improbable choice for a container port its location puts it in a very advantageous position (Bonney, 2009). Canadian National Railway (CN Rail) trains leaving Prince Rupert can provide fifth morning arrival of containers in Chicago and sixth morning arrival in Memphis; a capability that is unmatched in North America (Government of British Columbia, 2010). Roughly half of Prince Rupert's container volume currently travels the CN Rail to Chicago and Memphis.

As well as industry leading shipping times, the port has the second deepest natural harbor in the world and can handle ships with a capacity of up to 12,500 Twenty-foot Equivalent Units (TEU's).^{iv} In 2010 the Port of Prince Rupert handled over 16 million tonnes^v of cargo (Prince Rupert Port Authority, 2011).

Pacific Northwest port operations including Prince Rupert and Port Metro Vancouver are minor compared to the massive operations in Los Angeles-Long Beach. This small size is an advantage in supply chain collaboration agreements with CN Rail and CP Rail for Prince Rupert and Metro Vancouver ports. The relationship allows parties to exchange information on intermodal transportation designs that reduces excessive container or train movement delays (Mongelluzzo, 2011).

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In spite of the many advantages of the Port of Prince Rupert some research suggests the port may fail to produce the economic benefits proposed by the Pacific Gateway Strategy due to variables such as shipping company choice, eradication of shipping time advantages due to ground transport facility locations in the American Midwest, and the disadvantage Prince Rupert has in being a one rail, one road town. A natural disaster could disable Prince Rupert's parallel road and rail access paralyzing shipping to and from the Pacific Rim and US markets (Wilson & Summerville, 2008).

In addition, according to economist Jeff Rubin, Peak Oil could also have a negative impact on the future of the Prince Rupert Port, the development of the Northwest Corridor, and the entire Pacific Gateway Strategy if skyrocketing oil prices prohibit long haul shipping forcing localized rather than global economic development (Smith, 2009).

3.3.2 Container Traffic at the Port of Prince Rupert

According to cargo statistics, trade with Asia slumped during the first six months of 2009 due to the global recession. In spite of the slump, the Fairview Container Terminal at the Port of Prince Rupert handled 97,616 TEU's during the first six months of 2009, which is a 124 per cent increase in volume over the same period in 2008. The increased traffic at the port is attributed to log exports, grain, and containers (Ryan, 2009).

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Due to Canada's trade deficit with China, estimated westbound container shipments are less than half of eastbound shipments. This means more than half of the containers cycling back to port through the corridor will be returning empty (Ryan, 2009). Figure 4 and 5 below demonstrate the discrepancy between inbound and outbound container traffic at the port. November 2011 YTD figures show that over 200,000 TEU's arrived at the Port of Prince Rupert from Asia-Pacific by sea and of those only about 1,500 were empty. Conversely, over 158,000 TEU's arrived at the port by rail from intermodal facilities in Canada and the US, of those more than 92,000 were loaded and 66,000 were empty (Prince Rupert Port Authority, 2011).

Containerized Cargo TEU Summary Imports - Fairview Container Terminal - Port of Prince Rupert						
	Nov-11	Nov-10	Variance	2011 YTD	2010 YTD	Variance
Total TEU's	21,697.8	15,987.5	35.7%	209,744.0	180,443.8	16.2%
Loaded TEU's	21,697.8	15,987.5	35.7%	208,148.0	180,443.8	15.4%
Empty TEU's			0.0%	1,596.0	1,387.0	24.0%
Total Tonnes	216,977.5	159,875.0	35.7%	2,097,500.0	1,804,437.5	16.2%

Figure 4: Containerized Cargo TEU - Imports-Fairview Container Terminal

(Prince Rupert Port Authority, 2011)

Containerized Cargo TEU Summary Exports - Fairview Container Terminal Port of Prince Rupert						
	Nov-11	Nov-10	Variance	2011 YTD	2010 YTD	Variance
Total TEU's	18,288.8	14,672.3	24.6%	158,766.5	138,924.5	14.3%
Loaded TEU's	9,479.5	9,200.5	3.0%	92,125.8	55,815.3	65.1%
Empty TEU's	8,809.3	5,471.8	61.0%	66,640.8	83,109.3	-19.8%
Total Tonnes	182,887.5	146,722.5	24.6%	1,587,665.0	1,389,245.0	14.3%

Figure 5: Containerized Cargo TEU - Exports-Fairview Container Terminal

(Prince Rupert Port Authority, 2011)

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These empty containers travel by CN Rail through the Northern Corridor communities from Prince George to the port in Prince Rupert (InterVISTAS Consulting Inc., 2006). The focus- group considered the unavailability of access to the empty containers along the Northern Corridor route to be a barrier for small businesses and communities.

The availability of the intermodal facility in Prince George was discussed. However, the logistics of loading products on trucks for transport to Prince George and subsequently loading the goods into containers for rail transport to the port presented several challenges such as cost, excessive truck traffic on the limited highway infrastructure, and the unavailability of skilled truck drivers.

Forest products and pulp represent the largest share of export products moving from Northern BC to Pacific ports and in 2007 were headed primarily to the Port of Vancouver (Transport Canada, 2011; Westcoast CED Consulting Ltd., 2007). Canfor Corporation and West Fraser Timber Co. Ltd. are two of BC's largest exporters to Asia. In 2010, Canfor spokesperson, Dave Lefebvre, said Canfor exports through the Port of Prince Rupert had increased from 15 per cent to 35 per cent of volume between January and June of that year. The increase was attributed to the re-opening of Canfor's mill in Quesnel where the company is filling empty containers on the return journey from the US.

Lefebvre indicated they would like to ship more through the Port of Prince Rupert, but it will be dependent on the size and quantity of ships available (Armstrong, 2010). At present, the primary and secondary exports moving through the Northern Corridor by rail and truck to Pacific ports are:

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- Pulp & paper
- Wood/forest products
- Minerals
- Value-added wood products
- Log and prefabricated homes
- Forest products and beverages
- Wood pellets
- Concentrates
- Industrial equipment

(Transport Canada, 2011; Westcoast CED Consulting Ltd., 2007)

3.3.3 The Port of Prince Rupert Expansion

The Prince Rupert Port is committed to expansion projects in order to capture future growth in global trade (Ryan, 2009). Shaun Stevenson, Vice President of Marketing and Business Development at the Prince Rupert Port Authority says; “Our value proposition is speed and reliability” (Mongelluzzo, 2011).

Stevenson says the port is using only about half of its 700,000 TEU capacity, and yet, as predicted the Phase 2 expansion of the port was announced in 2011. The expansion will commence in two stages increasing the port’s capacity to 2 million TEU’s and more than 4 million TEU’s by 2020 (Asia-Pacific Gateway Foundation of Canada, 2011; Mongelluzzo, 2011).

The Phase 2 expansion of the Fairview Container Terminal at the Port of Prince Rupert has completed its environmental assessment, which began in August 2006 and will see completion in 2014. The expansion includes extending the existing wharf structure, the onshore terminal, and attached rail facilities (Stantec, 2011).

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Construction for Stage 1 (northern expansion) is scheduled to begin in the summer or fall of 2012 and is expected to take between 18 and 24 months, with completion scheduled for spring 2014. The target date for operation of Stage 1 is 2015. The Prince Rupert Port Authority (PRPA) and Maher Terminals will assess market demand and terminal volumes once Stage 1 is operational and if required will proceed with construction of Stage 2. CN Rail will commence construction on the rail siding^{vi} expansion and CN Rail maintenance road in winter 2012/2013 or when deemed necessary based on traffic volumes and capacity (Stantec, 2011).

3.3.4 Projects Related to the Port of Prince Rupert Development

The Pacific Gateway Strategy Action Plan delivered \$5.09 billion in transportation and infrastructure projects in the 2009-2010 fiscal years and an additional \$9 billion in major project work is underway in the BC Northern Corridor (Government of British Columbia, 2009-2010). An additional ten major projects are scheduled for completion by 2015 along the corridor with \$750 million in projects already completed. Major projects include the \$3 billion Kitimat Liquid Natural Gas Export Terminal and the not yet approved \$5.5 billion Northern Gateway Pipeline as well as:

- \$203 million Northern Corridor Roads upgrade
- \$300 million Canpotex Potash handling facility
- \$650 million Prince Rupert Terminal Expansion – Phase 2

(Government of British Columbia, 2009-2010; Smyrlis, 2005)

The Port of Prince Rupert itself is investing \$3.6 million to provide shore to ship electrical power. The project, to be completed in 2011, will reduce greenhouse gas emissions by up to 4,000 tonnes annually (Government of British Columbia, 2010).

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Additionally, the port is connected to CN Rail, the only transcontinental rail network in North America that crosses the continent from east to west and north to south and services ports on the Atlantic, Pacific, and Gulf coasts. CN Rail has made significant investments in its Northern Corridor rail line and plans to invest further. To date, CN Rail has completed \$699 million in Northern Corridor rail line upgrades and acquired the additional locomotives and equipment required for servicing Phase 1 of the Fairview Container Terminal at the Port of Prince Rupert. In addition, CN Rail has recently invested another \$34 million for in-land intermodal facility upgrades along the Northern Corridor to ensure transport efficiency and also completed a \$20 million forest products intermodal^{vii} facility in Prince George (Government of British Columbia, 2010). The intermodal facility in Prince George, arising as a result of the Port of Prince Rupert Fairview Container Terminal development, is “an example of a global opportunity that can drive regional collaboration in Northern BC, stimulating economic growth and diversification” (InterVISTAS Consulting Inc., 2006).

3.3.5 Current and Forecasted Economic Impacts as a Result of the Port of Prince Rupert Development

As previously stated, explosive growth in the Asia Pacific region has the most potential to shape BC's future prosperity. The US has traditionally been Canada's largest trading partner and will continue to be so; however, with China predicted to become the world's largest economy and India's middle class at 50 million and growing, demand for our natural resources is mounting (Government of British Columbia, 2011). Although the US is the largest single market for BC forest products, in the last 3 months of 2010, for the first time in history, BC softwood lumber exports to China exceeded those to the US.

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The largest urbanization in human history is transpiring in India and China increasing demand for BC mining products like coal and precious metals. In addition, India and China need agrifoods, lumber, natural gas, and green technologies; and Indian and Chinese entrepreneurs are seeking stable economies to invest their money (Government of British Columbia, 2011). To aid BC's opportunity to supply the increased Asian demand for precious metals, the Province of BC, Canada Starts Here, BC Jobs Plan (2011) report indicates that our current government is committed to reducing regulatory delays for mining permits, aiding the expansion of nine existing mines and the opening of eight new mines by 2015 (Government of British Columbia, 2011).

Transpacific container traffic is predicted to grow at an average annual rate of 7.5 per cent for eastbound shipments and 4.6 per cent for westbound traffic, reaching 23.3 million eastbound loaded TEU's and 10.2 westbound TEU's by 2015. This increased traffic combined with capacity constraints of existing North American ports is, "creating a major economic opportunity for the Northern BC transportation corridor and its communities" (InterVISTAS Consulting Inc., 2006).

Once again, the compelling idea that there are significant opportunities created by the Port of Prince Rupert development for communities in the Northern Corridor is evidenced in this literature; however, the specifics of what those opportunities are and how communities and small businesses are accessing them is not detailed.

Although the Northern BC Intermodal Cargo Opportunity Study (InterVISTAS Consulting Inc., 2006) indicates that export possibilities for communities along the corridor will be enhanced leading to "value added export-oriented diversification" it goes on to say that eastbound stops along the corridor are unlikely.

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Wood pellets, manufactured from beetle killed pine available in large quantities in Northern BC, are considered as having potential for container export opportunities for the Northern Corridor (Daystar Marketing; Colledge Transportation Consulting Inc.; Economic Development Research Group, 2008).

In July of 2011 the Bio-Economy Committee was formed to advise Honorable Pat Bell, Minister of Jobs, Tourism, and Innovation regarding opportunities for BC to derive economic value from BC's biomass resources, such as wood pellets. The committee held extensive consultations around the province with key members of government, academia, and non-governmental organizations. In the report the committee identified improved port capacity and rail service as crucial for the pellet industry in Northern BC (Bio-Economy Committee, 2012).

The BC Bio-Economy (2012) report stated:

Infrastructure is critical for all economic development, and the bio-economy is no different. Economic growth typically occurs around an infrastructure backbone (transport, communications, power, education/research, etc). Comments voiced repeatedly to the Committee by the pellet industry indicate that, while the markets appear to have tremendous growth potential, wood pellet export growth from Northern BC will be severely constrained by limitations in rail service and port capacity (Bio-Economy Committee, 2012).

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The Prince Rupert container terminal will serve mainly the US Mid West and Eastern Canada. (InterVISTAS Consulting Inc., 2006) The focus-group cited this as a significant barrier to small business and communities in the corridor. If there is no access to containers and no facilities or equipment to load containers along the corridor, how will “value-added” products, for instance, be economically and efficiently transported to the port?

Transport by truck to the intermodal facility in Prince George could be investigated, but is considered to not be cost efficient. Additionally, one focus-group participant cited the lack of willingness, possibly due to lack of equipment at the port, to load small shipments from truck to container for transport.

InterVISTAS Consulting Inc., (2010) economic impact study indicates that on-going operations at the Port of Prince Rupert support 1,500 direct jobs or 1,300 person years of employment. The direct economic impact of this employment to the province of BC is \$150 million in gross domestic product (GDP), \$200 million in economic output, and \$80 million in wages. In businesses related to the Port of Prince Rupert the provincial economic impact of on-going port operations are 2,720 person years of employment, \$280 million in GDP, \$500 million in economic output, and \$150 million in wages (InterVISTAS Consulting Inc., 2010). Potential economic impacts of the Prince Rupert Port Authority Planned Developments are 10,800 direct, indirect, and induced person years; \$740 million in wages, \$1,040 million in GDP, and \$2,560 million in economic output. Economic output is described for this report as the gross revenues of goods and services produced by an economic sector (InterVISTAS Consulting Inc., 2010).

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GDP measures only the revenues from value-added activities (labor and capital), effectively removing revenues to suppliers of intermediate goods and services (InterVISTAS Consulting Inc., 2010). In addition to employment, total tax revenue from on-going operations at the port generate nearly \$35 million in government tax revenues of which \$4 million are local, \$9 million are provincial, and the remaining \$22 million are to the federal government (InterVISTAS Consulting Inc., 2010).

This research indicates that the Port of Prince Rupert development is considered a substantial economic driver for the Province of BC and the Northern Corridor and is predicted to contribute to the prosperity of the region, province, and country well into the future. The literature, though, is sparser regarding the local and regional economic opportunities for BC's Northern Corridor with respect to the port.

The following chapter examines the substantial literature regarding the significant contribution of small business to community, regional, and provincial economic progress (Arikan, 2010; Julien & Lachance, 2001; Province of BC and Western Economic Diversification Canada, 2011; British Columbia Small Business Roundtable, 2011). The examination seeks to identify the conditions and resources required for small businesses and communities, in a regional context, to access opportunities presented by large scale projects such as the Port of Prince Rupert development.

Chapter 4

Small Business and Regional Development in Northern BC

4.1 The Contribution of Small Business to Provincial and Regional Economies

In British Columbia, 98 per cent or 391,700 of all businesses fall into the category of small business. Small business is defined as those businesses with fewer than 50 employees plus businesses operated by self-employed individuals without paid help. Figure 6 below details the breakdown of businesses in BC by number of employees (BC STATS, 2010; British Columbia Small Business Roundtable, 2011).

In 2010, small businesses in BC provided 57 per cent of all private sector jobs employing 1,038,300 people. In addition, small businesses are responsible for about 30 per cent of the province's GDP and in 2009 were responsible for over 47 per cent of the total value of goods exported from BC totaling over \$10.9 billion (BC STATS, 2010; British Columbia Small Business Roundtable, 2011; Province of BC and Western Economic Diversification Canada, 2011).

Breakdown of Business in British Columbia, 2010		
	# of Businesses	Percent of Total
Total Small Business	391,700	98%
Self-employed without paid help	222,500	56%
Business with less than 50 employees	169,200	42%
Total Large Businesses	6,700	2%
Total of All Businesses	398,400	100%

Figure 6: Breakdown of Businesses in BC, 2010 (Province of BC and Western Economic Diversification Canada, 2011)

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In BC, most small businesses are classified as micro-businesses with less than five employees. In 2010, micro-businesses accounted for 82 per cent of all small businesses while one quarter were comprised of one to four employees and 18 per cent employed five or more people. (See Figure 7 below)

Size Distribution of Small Business in British Columbia, 2010		
Total Business with 0 to 4 employees	321,800	82%
Self-employed without paid help	222,500	57%
Business with 1 to 4 employees	99,300	25%
Business with 5 to 19 Employees	56,800	15%
Business with 20 to 49 Employees	13,100	3%
Total Small Business	391,700	100%

Figure 7: Size Distribution of Small Businesses in BC, 2010 (Province of BC and Western Economic Diversification Canada, 2011)

From 2009 to 2010, small business employment provided about 13,700 net new jobs, a 1.3 per cent increase (BC STATS, 2010; Province of BC and Western Economic Diversification Canada, 2011). These statistics illustrate the significant contribution that small business makes to the provincial, regional, and local economies of BC.

In examining the role of small business in a regional context, Quebec researchers Julien & Lachance (2001) propose that dynamic regional development can be attributed to the existence of three absolute advantages. First is the existence of plentiful mineral resources, large forests, sea and sun for swimming, or snow for skiing, significant tax benefits, or large government investment (Julien & Lachance, 2001). Second is the reduction of economic uncertainty for investors as a result of the preceding advantages and third, as a result of these combined elements, is the inflow of foreign investment into the region. Investors recognize these advantages and their investment produces revenues that impact the entire region.

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In addition, research suggests that small and medium size enterprises (SMEs) benefit from these absolute advantages in that they become more innovative, contributing to diversity in the region (Julien & Lachance, 2001). As well, rurally located SMEs are prompted to even greater innovation; compensating for things like increased transportation costs, created by distance from urban centers, by adding value to their products or services (Julien & Lachance, 2001).

The failure of potential entrepreneurs to grasp opportunities is often due to risk aversion. However, in a dynamic transforming region, such as BC's Northern Corridor, uncertainty is reduced encouraging would be entrepreneurs and investors to increase their investments using the strength of their personal and business networks to access existing as well as recognize potential opportunities (Julien & Lachance, 2001).

It has been well established in current literature that entrepreneurship is crucial for regional development. It is also known that regions encouraging entrepreneurial endeavors develop at a more rapid rate than those that don't (Arikan, 2010). This research supports the idea that rapid growth can be attributed to the innovation and economic diversity that entrepreneurs create in their communities. Those regions that seek to encourage entrepreneurial activity do so by supporting small business centers that provide investment capital to entrepreneurs, and improve local communications and transportation infrastructure in order to accommodate small business development and access (Arikan, 2010).

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In regions with an established entrepreneurial environment, characterized by an existing level of small and medium size business activity, the focus should be on sustenance and growth. Stages of the process by which regions reach a desired level of entrepreneurial activity are identified by Arikan (2010) as the emergence and reinforcement stages.

The factors crucial to the emergence, and subsequently, the reinforcement stage of regional business development are:

- Psychological - local tolerance and support of entrepreneurial endeavors
- Social - presence of social networks
- Economic - availability of financial, physical and human resources
- Political - favorable government policies

(Arikan, 2010)

The benefits of reaching the reinforcement and growth stage is the attainment of “self-reinforcing mechanisms” (Arikan, 2010). These are the social networks that have developed around existing businesses that provide potential entrepreneurs with a rich support system. In addition, the existence of ongoing entrepreneurial activity is a sign of plentiful resources and support required by potential entrepreneurs, which encourages further investment and development (Arikan, 2010).

Entrepreneurs are not the only participants required for a region to realize entrepreneurial transformation. Arikan (2001) conceptualizes regional economies as “complex adaptive systems” (CASs), which requires a diverse group of participants in order to reach, maintain, and grow the reinforcement stage.

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This diverse group of participants includes; sources of financial capital required by SME's to pursue opportunities, a skilled workforce, local government support, educational institutions to provide training and technology, media to disseminate information, and finally support services such as those provided by consultants, accountants and lawyers (Arikan, 2010).

The requirements identified by Arikan (2001) for regional, community, and entrepreneurial transformation were similar to those identified by the focus-group. In their recommendations the group indicated a greater need for a skilled workforce; increased communications and collaboration; and access to financial capital in order to create the economic diversity in communities that will enable access to opportunities.

4.2 Small Business and Community Economic Development in Smithers, BC

The town of Smithers is located near the center of the Bulkley Valley at the eastern edge of the British Columbia Interior Mountains. The town is located along BC's Northern Corridor with the communities of Houston, Burns Lake, Vanderhoof, and Prince George to the south and east and Hazelton, Kitimat, Terrace, and Prince Rupert to the north and west.

The Grand Trunk Pacific Railway through Northern BC began in 1908. In 1913, named after Sir Alfred Smithers, a settlement to house the railway's divisional headquarters was established. In 1921, Smithers became the first village in BC to be incorporated and on January 1, 1967 became an incorporated town (Town of Smithers, 2008).

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Today, Smithers is home to roughly 5,200 residents and is the regional hub for more than 20,000 people in outlying communities and rural areas. The economy in Smithers has been and still is dependent on the plentiful natural resources of the area. Forestry, agriculture, mining, and recently tourism contribute the majority of economic activity in the area. The unrivalled natural beauty of Smithers and abundance of recreational activities, such as world class fishing and skiing, has given the town of Smithers an economic boost, attracting tourists from around the world (Town of Smithers, 2008).

BC is second only to Colorado in terms of skier visits per year and the provincial government is “committed to making BC the number one skiing destination in North America” (Government of British Columbia, 2011). As Smithers and the surrounding area is home to spectacular downhill, backcountry, and cross-country ski terrain and snow, the community is uniquely poised to take advantage of the provincial government’s tourism commitments. The abundant recreational activities of the area also contribute to the charisma of the community in terms of attracting a stable and skilled workforce.

The economic climate in Northwestern BC is very positive. Specifically, mineral exploration, the Port of Prince Rupert development, hydroelectric projects, wood fiber products, the Northwest Transmission Line, and the LNG (Liquid Natural Gas) pipeline are considered to be sources of economic opportunity and prosperity for BC’s Northern Corridor going forward (Government of British Columbia, 2009-2010; Northwest Powerline Coalition & Mining Association of BC, 2009; Town of Smithers, 2008). Mineral exploration spending reached \$170 million in the northwest part of BC in 2007, with the expectation that further exploration will continue, ultimately resulting in mine development.

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The Smithers Community Profile (2008) predicts that the container port in Prince Rupert will result in an increase in jobs in the transportation industry (Town of Smithers, 2008). Location and amenities, such as the School of Exploration and Mining and the expanded runway at Smithers Regional Airport, suggest the town is liable to benefit economically from current and proposed developments (Town of Smithers, 2008).

The Town of Smithers is located along Northwestern BC's main artery, the Trans Canada Yellowhead Highway (Highway 16). In addition, the railway that links the Port of Prince Rupert to intermodal transportation facilities in Prince George and beyond to US major rail hub centers is serviced by CN rail, a major contributor to the local economy. Proximity to the port and rail facilities places Smithers and area in a unique position to access global trade opportunities (Town of Smithers, 2008).

In 2008, the Asia Pacific Gateway and Corridor Initiative funded a \$6 million grade separation (overpass) in order to accommodate CN Rail siding extensions. These rail siding extensions were to facilitate more efficient intermodal train service to and from the Prince Rupert container terminal, enabling a 50 per cent increase in train length from 8,000 feet to 12,000 feet (Transport Canada, 2008). Smithers does not, however, have intermodal loading facilities that would enable loading of empty CN Rail cars bound for the port.

Smithers has a prolific small business community providing a diverse spectrum of support services to resource industries as well as an abundance of retail services. The town also boasts affordable housing, access to post secondary education, and a vibrant cultural and artistic spirit (Town of Smithers, 2008).

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The Bulkley Valley Economic Development Association (BVEDA) encompasses the Regional District of the Bulkley Nechako, the Town of Smithers, and the traditional territory of the Wet'suwet'en Nation (BVEDA, 2011). These groups form the three signatories of the BVEDA. The BVEDA's mission statement is:

- Create and distribute research and economic information to those engaged in or interested in engaging in business and economic development in the community at large
- Report out on the economic health, opportunities, and stability of the Bulkley Valley and Wet'suwet'en territory
- Provide brokering services to businesses, community groups, and government agencies
- Market and promote the region and recruit new investment
- Secure investment in desired economic development activities and infrastructure from senior levels of government and the private sector
- Where appropriate, provide/channel direct equity investment into key business operations
- Encourage, facilitate, and assist the development of major resource projects where they fit the values and expectations of the people of the region

In addition to the core values of the BVEDA, the organization is committed to “facilitate economic development wherever possible...” (Lions Gate Consulting in Association with Westcoast CED Consulting Ltd., 2010). The BVEDA mission statement demonstrates commitment on the part of the association, the community, and the small business proponents who contributed to the development of BVEDA to the economic future of Smithers and the surrounding area.

The key for Smithers and other communities in the Northern Corridor will be in the ability to translate their vision into action and results. The focus-group identified a need for more community collaboration and greater input from the small business community so as to propel economic initiatives forward and achieve the desired outcomes.

Chapter 5

Focus Group in Smithers, BC

5.1 Focus Group Format

A focus-group consisting seven participants from the town of Smithers, BC and surrounding area participated in the focus-group. The participants represented mining, forestry, tourism, transportation, education, and community and small business development offices. The focus-group was facilitated to discuss the Port of Prince Rupert development and the opportunities, or lack thereof, for small business, the community, and the region with respect to the port and other projects of economic importance.

5.2 Recommendations and Conclusions of the Focus-Group

The focus-group engaged in a spirited discussion regarding the opportunities for small business and Northern Corridor communities with respect to the Port of Prince Rupert development. The group was extremely engaged and expressed sincere interest in the topic and the eventual results of this research. The group did not have access to the quantitative research contained in this project prior to attending the focus-group. In spite of this, the group identified the many resources required for entrepreneurial, community, and regional economic progress that are presented elsewhere in this project. In addition, several unique and specific suggestions were made as to how to realize possible opportunities.

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The key points that the group identified are:

- Access to financing and venture capital
- Need to raise community and regional profile
- More communication at the community level
- Collaborate for success, within region, with government (local, provincial)
- Inform levels of government of business, community, regional needs
- Construct “procurement site” (what do large companies need – resources, supplies, skills?)
- Port and CN Rail should have local outreach to regional communities and businesses
- Communities need to reach-out to the port to engage the port in a collaborative process
- The port and CN Rail should participate/facilitate regional and community growth and development
- BVEDA – prepare skills inventory list for region
- Communities need tools to determine the economic value of large projects
- Require a portal (web-site) to detail description and needs of large projects
- “We need to market the North”
- Marketing Plan
- Community
- Jobs
- Environment
- Culture
- Sports
- Testimonials
- Educational Facilities – NWCC
- Airport
- Address housing shortage
- Define community vision and grow true to vision
- Vision for the whole Northwest region, not just one town or another

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The focus-group participants identified financial capital, human resources, favorable government policies, presence of social networks, and local tolerance and support of entrepreneurs as required resources for small business, communities, and regions to achieve economic diversity and growth. These resources were also identified in Arikan (2010) and Julien & Lachance (2001). Specifically, the group acknowledged the need for the small business community and related development agencies, such as participated in this focus-group, to reach out to the Port of Prince Rupert in order to engage in a dialogue with Northern Corridor communities to identify and access potential economic opportunities related to the port. The group also recognized the unique assets described in Halseth (2010) that contribute to the attraction and retention of necessary human capital required to access current economic opportunities.

The focus-group participants spoke directly of the quality of life in Smithers, access to sporting activities, affordable housing, diverse cultural activities, a young demographic, and access to education; all positive attributes that the community currently possesses.

The group specifically articulated the need for community collaboration within the region and development of a vision and marketing plan to promote the economic potential of Smithers and the entire Northern Corridor. A dialogue amongst CN Rail, the Port of Prince Rupert, Northern Corridor community representatives, and the business community was considered essential by the group. In addition, communication with local, regional, and provincial governments; tools to identify the value of potential projects in the region; a portal to identify the needs of large project developers; and finally, access to investment capital in order to realize identified opportunities were discussed by the group. (See Figure 8 below).

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Opportunities/Benefits	Barriers/Challenges
More trains, more containers	CN Rail is not interested in small shipments Vancouver port vs. Prince Rupert port – easier to deal with Vancouver if small business/shipment
Utilize empty containers returning to port	Limited intermodal facilities at port
Ship part loads to Rupert to combine in a container	Small business not able to deal directly with CN Rail
Intermodal facility in Smithers or Telkwa?	Is there facility/service to load containers at port? Can we load containers in Smithers?
Load trucks to ship to port - Trucking opportunities	Trucking to intermodal facility-lack drivers
Small businesses join forces	
Build pre-fabricate emergency shelters and ship via port (global disasters)	<p data-bbox="756 1140 1298 1226">} Access to financing for start-ups or expansion - no one wants to back “1st to market”</p> <p data-bbox="756 1430 1224 1512">} Large scale projects require government, private, regional cooperation</p>
Pre-manufacture timber frame homes for Asian markets	
Ship pellets from Burns Lake and Houston	
<i>Entrepreneurs</i> create something to fill Asian demand and ship	
Port is attractive to mining sector	
Rail line from Northwest BC (Dease Lake) to connect to port - rail line	
Rail from Northwest BC would link Yukon	

Figure 8: Focus-Group Summary of Economic Opportunities and Challenges

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The main challenges identified were the lack of access to containers for communities along the corridor, the limited loading facilities at the port for small shipments, and access to financing for entrepreneurs wanting to develop potential opportunities.

Opportunities with the most potential identified by the focus-group were:

- The potential for an intermodal facility in Smithers or Telkwa, BC;
- The possibility of rail line expansion to Northwest, BC;
- If transport and loading challenges could be resolved, the potential for pre-fabricated, value-added wood products, and other goods to be manufactured locally and shipped to expanding Asian markets.

In addition, the points made by the focus-group, shown in Figure 8, highlight the need for small businesses, communities, industry, and governments to collaborate in order for these economic possibilities to be realized.

In general, the participants of the focus-group felt that there was a lack of a cohesive effort on the part of proponents of the Port Authority, CN Rail, and the business community to work collaboratively on identifying opportunities. It was suggested that the Port of Prince Rupert was not available for small business, nor interested in accepting and handling small shipments. One participant of the focus-group, representing the mining sector, discussed his frustration at attempting to use the Port of Prince Rupert to ship containers of equipment to an out-of-country mine site. In the end, the Port of Vancouver was easily able to respond to the request and handle the shipments.

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The inability to load containers along the Northern Corridor route (other than Prince George) was seen as a barrier to small and medium sized business and it was suggested a second intermodal facility could be installed in Telkwa or Smithers. It was suggested that products could be trucked to the intermodal facility in Prince George, containerized, and then transported by rail to the port. The inefficiency and cost of this process was discussed as well as concern over the availability of truck drivers, increased road traffic, and the lack of necessary infrastructure upgrades to handle the increased truck traffic.

The group also suggested collaboration on the part of small business in order to group shipments together for transport to Asian markets might address the small operators shipping issues. Pellets, value added wood products, and pre-fabricated shelter and housing were all discussed as possibilities for Northern communities to engage in manufacturing of products destined for Asian markets through the Port of Prince Rupert if containerization and transportation issues could be resolved.

The group identified a need for small businesses, and community and regional development agencies to take a pro-active approach to identifying market requirements for goods and services and for all proponents to engage in a collaborative effort. The unavailability of financing and investment for entrepreneurial endeavors was raised and the need to boost the profile of the region in order to encourage investment and reduce risk aversion.

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Although, the support of agencies such as the Northern Development Trust Initiative and other local economic and small business development agencies was acknowledged, a “one-stop” source for entrepreneurs looking for project information, investment and financing dollars, and other critical support and information would be a definite asset for businesses and communities looking to diversify and advantage economic opportunity. In addition, focus-group participants pointed out that it is incumbent upon the small business community to lead the dialogue that will encourage collaboration from all proponents, not for government or industry to do it on their behalf.

Mining was identified by the focus-group as one of the most promising sources of economic opportunity for the Northern Corridor. Access to transportation (truck and rail) from remote mines sites on the Highway 37 Corridor to enable mining companies to utilize the Port of Prince Rupert as a transportation hub was discussed. The group questioned why the ore was being shipped from Stewart, BC when so much has been invested in the Port of Prince Rupert development. In order for the potential of mining and related economic opportunities for small business and communities to be realized in Northern BC, it was felt that transportation and electrification issues in the Highway 37 Corridor to Dease Lake, BC needed to be resolved.

The focus-group concluded that there are currently no direct benefits and opportunities for communities in the Northern Corridor, specifically Smithers. The group summarized their thoughts stating “the initial benefits to the North were over-sold when the proposed Port of Prince Rupert development and expansion were presented to communities in the North.”

Chapter 6

Summary and Conclusions

6.1 Areas for Further Study

First Nations are a strong presence in Smithers. The Wet'suwet'en people have made their home in the Bulkley Valley for thousands of years. The Wet'suwet'en traditional territory covers about 22,000km², in the region encompassing Smithers. Today, there are approximately 750 Aboriginal peoples in Smithers, including those not part of the Wet'suwet'en Nation (Town of Smithers, 2008).

In 2007, with the Prince Rupert Port facilities close to operational and the announcement by CN Rail that they would locate an intermodal transportation facility (inland port) in Prince George, the Prince George Aboriginal Business Development Association (PGABDA) commissioned a report to identify business opportunities associated with the inland port for First Nations people and companies in the North Central Interior of BC (Westcoast CED Consulting Ltd., 2007).

In May of 2011, the value of wood products exported to China from Canada exceeded that of Canadian wood product exports to the United States (Kincaide, 2011). This exemplifies the growing attention being paid to Chinese and other Asian markets, by First Nations and other BC companies. In addition, Chinese companies are entering into joint ventures and outright acquisition of mines operating in BC, for example, the Canadian Dehua International Mines Group Inc.'s acquisition of coal licenses in Northeastern, BC (Kincaide, 2011).

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On October 21, 2011 the Assembly of First Nations (AFN) National Chief, Shawn Atleo, led a delegation of First Nations Chiefs and support staff on a diplomatic trade mission to China. This trade mission included strong representation from British Columbia's First Nations suggesting that British Columbia's First Nations are interested in building direct relationships with China in order to expand their export markets for natural resources and to seek important investment capital from China for resource development projects. The aim of the BC First Nations & China Strategy is to expand export of natural resources, mostly forest products, minerals, and bio-energy (Kincaide, 2011).

Currently there are First Nations companies in the growing Chinese market such as The Coast Tsimshian Resources LP, fully owned by Lax Kw'alaams First Nation in Northwest BC (Kincaide, 2011). In addition; the Aboriginal Tourism Association of BC (AtBC) is developing tourism strategies to tap into the 47 million Chinese who travelled abroad in 2008. This number is expected to grow to over 100 million annually by 2020 (Kincaide, 2011).

Further study is required to clearly identify the specific resources and support mechanisms required by First Nations in BC's Northern Corridor with respect to accessing opportunities related to the Port of Prince Rupert development and other projects in the region.

6.2 Discussion and Conclusions

The Port of Prince Rupert development is a critical piece of the Pacific Gateway Strategy designed to capture Asian trade markets; seen as a resounding success by many, the benefits to small businesses in BC's Northern Corridor communities are not evident based on this research.

Small businesses and representatives of community economic development in Smithers identify a need for sources of information and financing; intra-community collaboration; government awareness and support for small businesses; community initiatives; and dialogue with proponents of the Port of Prince Rupert and CN Rail to identify and capitalize on potential economic growth and diversity.

The supporters of community economic development in Smithers, BC have taken steps to facilitate transformational change to an autonomous, bottom-up approach. This is evidenced by the formation of the BVEDA and strategic development plans aimed at improving the economic future of the community. Implementation of these strategies may not, however, be producing the desired results. It is not enough to detail and implement strategic plans; the tools to analyze their effectiveness are required. A critical analysis of the efficacy of the current community and regional economic development strategies could be beneficial to Smithers and other Northern Corridor communities.

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Economic diversity as a means to regional and community economic prosperity is a common thread throughout this research. Markey, Halseth & Manson (2008) identified economic diversity as necessary for Northern BC communities to end exclusive reliance on natural resources. Crucial to creating economic diversity in communities is the emergence of small and medium size businesses; however, diversity will only be realized if the critical support and resources that facilitate entrepreneurial activities are available (Arikan, 2010; Halseth, Straussfogel, Parsons, & Wishart, 2004; Julien & Lachance, 2001). This leads to the conclusion that the emergence of diverse small and medium size businesses in Northern BC communities is the key to identifying, innovating, and accessing economic opportunities such as those presented by the Port of Prince Rupert development. In the absence, though, of essential resources and support mechanisms, access to economic opportunities is unlikely to be realized.

The focus-group results identify a need for collaboration and support from all proponents in order to implement the strategies that will support entrepreneurial activities. Representatives of all levels of government, small business, financial institutions, industry, economic support agencies, and neighboring communities in the Northern Corridor must join forces and communicate. This inclusive collaboration is required in order to improve the support mechanisms and resources that will enable opportunities for small businesses, communities, and the entire region; resulting in economic diversification and prosperity for BC's Northern Corridor now and in the future.

Endnotes

ⁱ Fordism: a manufacturing philosophy that aims to achieve higher productivity by standardizing the output, using conveyor assembly lines, and breaking the work into small deskilled tasks. Named after Henry Ford.

ⁱⁱ OECD: the Organization of Economic Co-operation and Development mandate is to promote policies that will improve the economic and social well-being of people around the world.

ⁱⁱⁱ Chained GDP: in May 2001, the quarterly Income and Expenditure Accounts adopted the Fisher index formula, chained quarterly, as the official measure of real expenditure-based Gross Domestic Product. There are two reasons for the adoption of this particular formula: it produces the most accurate measure of quarter to quarter growth in GDP and its components; and, the change brings the Canadian measure in line with the US quarterly Income and Product Accounts which also use the chain Fisher formula to measure real GDP.

^{iv} TEU: a twenty - foot equivalent unit. A measure used for capacity in container transportation.

^v Tonnes: (tonne) metric ton: a unit of weight equivalent to 1000 kilograms.

^{vi} Rail siding: low speed track extensions in rail yards and rail loading areas.

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Appendix 1: Progression of Focus Group Questions

Categories	Questions
Opening Question	Are you aware of the Port of Prince Rupert Development? Discuss.
Key Questions	Are there economic opportunities in your community or for your business with respect to the port development?
	Are there barriers for your business or your community with respect to the port development?
Transition Question	Other than opportunities or barriers presented by the port development, are there other significant economic opportunities being accessed by your business/community? Describe.
Ending Question	What resources would your organization consider useful to increase access to opportunities and/or overcome challenges for small business in your community with respect to the port development? Describe.

Adapted from examples in (Breen, 2006)