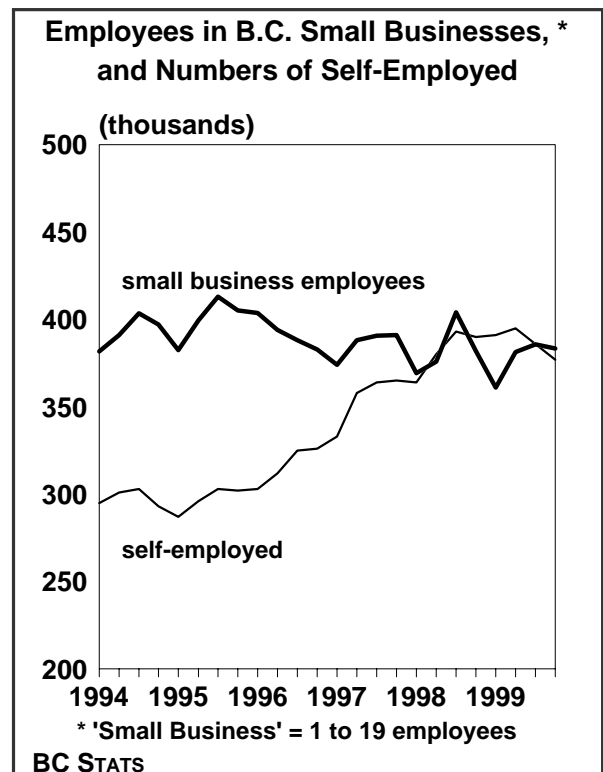


Small Business Quarterly ♦ Fourth Quarter 1999

The number of self-employed people in British Columbia fell 5.5% in fourth quarter last year, from the same months of 1998. This does not necessarily indicate a deterioration of the business climate. Most of the drop was attributable to an 8% fall in the number of self-employed people without paid workers from 265 thousand to 244 thousand, the group that likely includes any people who were self-employed because they could not find suitable employee jobs. Self-employed people with employees fell only 1.3% from 130 to 128 thousand.

- The number of small businesses with 1 to 4 employees rose 0.6% in third quarter (latest available at time of writing), as those with 5 to 9 employees or with 10 to 19 employees fell 2.1%. Businesses with 20 to 49 employees rose 4.6%.
- Trends for small business employees were mixed. The number of employees working for businesses with between 1 and 19 people rose a slight 0.3%, to 383 thousand in fourth quarter. But businesses with between 20 and 49 people fell 2.4%, from 180 thousand to 176 thousand.
- Business formation numbers were positive. New incorporations of businesses increased 4.3% in fourth quarter, to 5,137. Companies incorporated outside the province registering to do business in British Columbia increased 20.9%, to 595.

- These positive indicators were consistent with declining numbers of business bankruptcies. Business bankruptcies fell 11.6% between fourth quarter 1998 and fourth quarter 1999. Consumer bankruptcies rose 16.2%.
- Interest rates offered no obvious explanation for declining business bankruptcies. The bank rate was 4.92% in fourth quarter, down from 5.33% a year earlier.
- Residential construction activity was rising in the fourth quarter, as evidenced by a 15% rise in the number of urban housing starts. The value of industrial building permits rose 21.8%, reflecting scarcity of industrial floor space in the province. But the value of commercial building permits fell 4.5%.



Transfers of Corporate Charters To Other Provinces Suggest Business Migration From British Columbia

Technical Note On Corporation Statistics: *Business corporations can be established under any one of a variety of different government jurisdictions. This could include, for example, a province, the federal government, another country, or a U.S. state. The jurisdiction under which a company is incorporated is not necessarily the only place it does business. For example, a company incorporated in British Columbia could do some, most, or even all of its business in Ontario. But in general, it can be supposed that companies will conduct much or most of their businesses in the provinces or countries in which they are incorporated.*

Once incorporated, a company may decide to transfer its corporate charter to another legal jurisdiction. This process is known as 'continuing out' or 'continuing in'. Corporations 'continue out' when they leave a jurisdiction and 'continue in' when they are transferred into it. Statistics presented here on the transfer of corporate charters into and out of British Columbia have been generated by **BC STATS** from records of these legal transactions. This has made it possible to calculate net losses or gains of corporate charters to British Columbia through the 1990s. The loss of any single corporate charter to another province does not necessarily signify that that company has moved jobs or assets out of the province or ceased to do business in British Columbia. However, substantial and persistent out or inflows of corporate charters do suggest some shifting of business activity.

The numbers of companies involved in these interprovincial movements of corporate charters are small in relation either to the numbers being newly incorporated annually in British Columbia, or to the total number of companies already incorporated under the province's Companies Act. The 228 corporate charters transferred to other provincial legal jurisdictions in 1999, and the 67 transferred into British Columbia from other provinces, compare with 23 thousand new British Columbia corporate charters being issued. The existing stock of companies incorporated under the British Columbia Companies Act was 266 thousand as of March 2000.

Not all corporations are active businesses. Many incorporated companies exist only as legal entities, with no employees and no business operations. Some are established only as corporate shells set aside for some future use. The relatively small numbers of companies transferring between provinces are more likely to be active, if only because they have warranted the trouble of being moved from one jurisdiction to another.

A Growing Net Outflow of Business Charters

Statistics on transfers of corporate charters between British Columbia and the rest of Canada over the 1990s indicate an increase in the movement of companies from British Columbia to other provinces, particularly to Alberta and Ontario. This increase has paralleled a similar rise in the number of people leaving British Columbia for those provinces, and is consistent with their stronger overall economic growth during the decade.

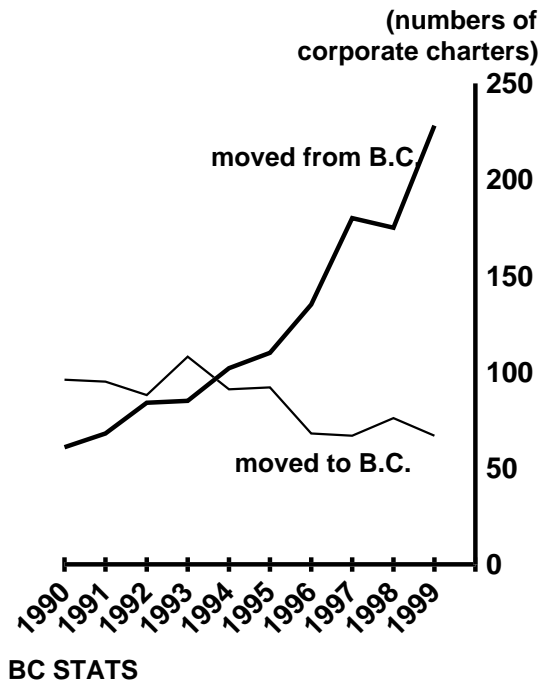
Net transfers of corporate charters from British Columbia to the rest of Canada were still rising in 1999, reaching a high of 161 corporate charters shifted to other provinces in that year. This figure reflects 228 charters

moved to other provincial jurisdictions, as against 67 transferred into British Columbia.

Statistics on corporate charter movements do not specify the size or nature of businesses moving their charters from one province to another. But it can be safely assumed that, for the most part, that they reflect movements of relatively mobile small or medium sized businesses.

The trends apparent in transfers of corporate charters suggest a change that began in the early 1990s. During the first few years of the decade, the number of business charters leaving the province began to rise, while the number being transferred into the province remained relatively stable.

Net Outflow of Corporate Charters From B.C. to Other Provinces

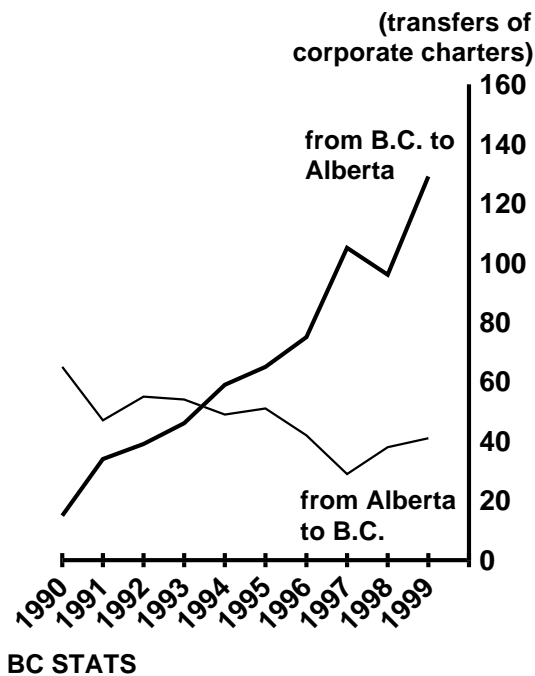


In 1990 there were 35 more corporate charters transferred into British Columbia from other provinces than transferred out. Over the next three years, annual flows were positive, but smaller. Then in 1994, 11 more corporate charters were transferred out of British Columbia than were transferred into the province. Annual outflows continued to rise through the second half of the 1990s, reaching a net loss of 161 corporate charters to other provinces in 1999. Over the period from 1994 and 1999 inclusive, there was a cumulative net loss of 469 corporate charters shifted to other provinces.

More Than Half of Corporate Charters Leaving British Columbia Go to Alberta

Alberta has become by far the most important destination of corporate charters being shifted out of British Columbia. The 88 net loss of business charters to Alberta in 1999 amounted to 55 per cent of the total net loss of British Columbia corporations shifting to other provinces.

Net Outflow of Corporate Charters From B.C. to Alberta



The net outflow to Alberta has grown over the past 6 years, as that province's economy has expanded at a much faster rate than British Columbia's. British Columbia began the 1990s with a net gain of 50 companies from Alberta in 1990, it finished the decade with a net loss of 88 corporate charters to Alberta in 1999. The 1999 figure is the result of 129 corporate charters transferred to Alberta from British Columbia, and 41 corporate charters transferred from Alberta to British Columbia.

These flows are consistent with the economic cycles of the two provinces. During the late 1980s and early 1990s, the economic growth in Alberta matched that of British Columbia. By 1993 the situation began to change as Alberta oil and natural gas

exports strengthened, pushing up overall economic growth. Between 1992 and 1998, real economic growth in Alberta was over twice that of British Columbia.

The movement of businesses to Alberta is also consistent with the reversal in population flows between the two provinces. In 1990, British Columbia received a net inflow of 10,500 persons from Alberta. By 1999, this had changed to a net outflow of 10,700 persons to Alberta.

Ontario Is Another Attractive Destination

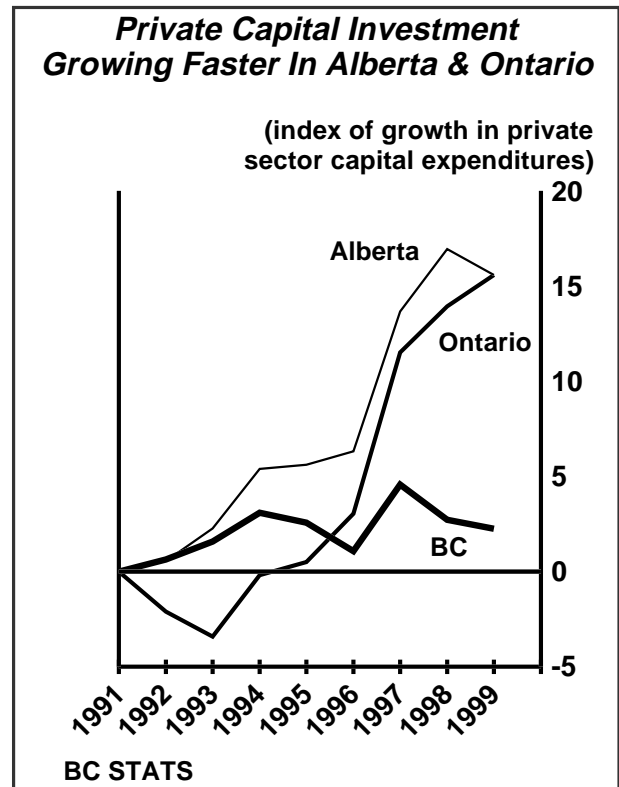
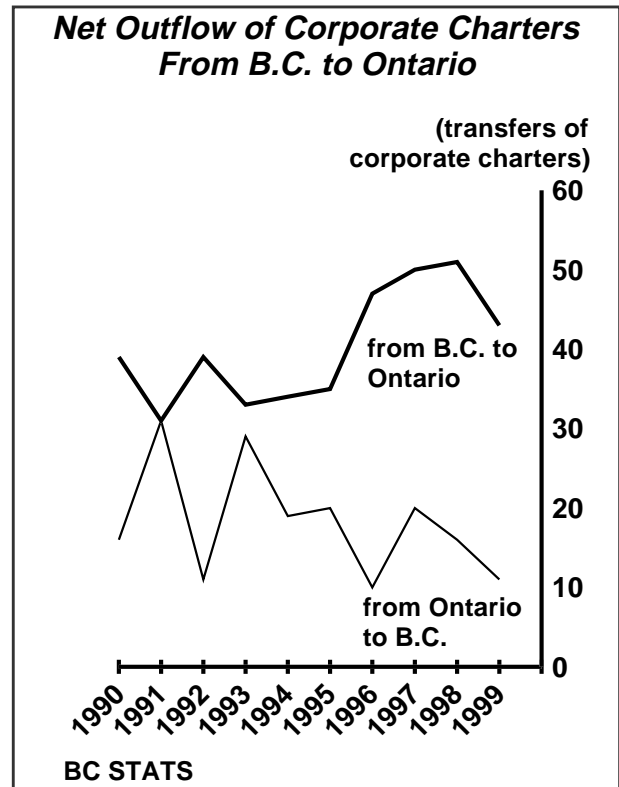
Ontario has been the other main destination for corporate charters being moved out of British Columbia. There was a net flow of corporate charters out of British Columbia to Ontario in every year of the past decade except 1991. In that year the number transferred out from Ontario to British Columbia equalled the number transferred from British Columbia to Ontario.

These annual net outflows from British Columbia grew worse after 1995. The net outflow to Ontario rose from 15 in both 1994 and 1995, to 30 or more in each year through the rest of the decade.

The pattern of change is consistent with the relative economic performances of the British Columbia and Ontario economies. During the early part of the 1990s, economic growth in British Columbia well exceeded that in Ontario. By 1994, conditions improved significantly in Ontario, pushing growth rates higher than in British Columbia.

This stronger economic growth in Ontario resulted in a gradual decline in the traditional net inflows of population to British Columbia. By 1997 the net inflow from Ontario had shrunk to 4,559 people, down from net inflows of over 15 thousand in 1992 and

1993. It shrank further to virtually nothing in 1998, and then became a net outflow of 879 people in 1999.



Feature Articles Listed By Issue Number

99-3: *'755 Thousand British Columbians Rely On Small Businesses For Jobs'* (released Mar 00)

99-2: *'A Quarter of All Employees In British Columbia Work For Small Employers'* (released Nov 99)

99-1: *'Self-Employment In British Columbia Takes On New Profile'* (released Sep 99)

98-4: *'Co-Operative Movement Grows Through the 1990s'* (released Apr 99)

98-3: *'The Long and the Short of Working Hours For Self-Employed'* (released Dec98)

98-2: *'People Trying Self-Employment As A Second Job'* (released Aug 98)

98-1: *'British Columbians Still Making Their Own Jobs'* (released May 98)

97-4: *'Business Bankruptcies Ease With Low Interest Rates, But Consumer Bankruptcies Continue to Climb'* (released Mar 98)

97-3: *'Co-operative Movement Grows Steadily In British Columbia'* (released Jan 98)

97-2: *'Doing Our Thing In Lotusland – The New Self-Employed In British Columbia'* (released Sep 97)

97-1: *'Immigrants Boost Self-Employment In British Columbia'* (released Aug 97)

96-3: *'Changes in Business Confidence Expressed In Numbers of New Incorporations'* (released Mar 97)

96-2: *'Bankruptcies Rise With Self-Employment and Mounting Consumer Debt Loads'* (released Oct 96)

96-1: *'Counting the Business Community in British Columbia'* (released Jul 96)