

TIES THAT BIND: ECONOMIC TIES BETWEEN BC AND ALBERTA

HIGHLIGHTS

- The economies of BC and Alberta are arguably the most interdependent of any two provinces in Canada.
- Integration between the two provinces is particularly evident in migration patterns and labour mobility.
- Interprovincial trade tends to garner little attention, but trade between the provinces is significant: BC exports more merchandise to Alberta than it does to China; similarly, Alberta's merchandise exports to BC are greater than its exports to Asia.
- The value of service exports between BC and Alberta exceeds the value of trade in goods between Alberta and BC.
- The Gateway plays a large and steadily growing role in BC's profile of service exports.
- Trade, capital flows, migration, and interprovincial employment between the provinces strengthen economic growth and prosperity. These linkages and economic benefits between the two western most provinces have been enhanced by the New West Partnership Agreement.

Canada is a federation made up of provinces and territories with a significant amount of sub-national autonomy. The provinces are responsible for delivering healthcare and education, for example. They also have jurisdiction over employment standards and occupational regulations governing the labour market. The provinces/territories control Crown land and regulate the operations of resource industries. Although independent, the provinces also cooperate and are integrated and interdependent with each other in an economic sense. Interprovincial flows of goods, services, capital and people are fundamental to Canada's economic prosperity, with many provinces

trading almost as much within Canada as they do internationally. The two western-most provinces, BC and Alberta, have especially strong economic connections and exhibit a high degree of economic interdependence. One significant element of the relationship is the extent of trade between them. Alberta also depends on BC's Gateway infrastructure to ship its products to Asian markets and to obtain imported goods. British Columbia benefits in many ways from the income and jobs that two-way trade with Alberta creates. A large share of the fossil fuel energy products consumed in BC is supplied by Alberta. But perhaps the most important aspect of the

two provinces' interdependence is the movement of people. Differing labour market conditions have long motivated people to migrate between them. Indeed, labour mobility across Canada, but particularly between BC and Alberta, is a key feature of the functioning of labour markets in western Canada.

POPULATION AND MIGRATION

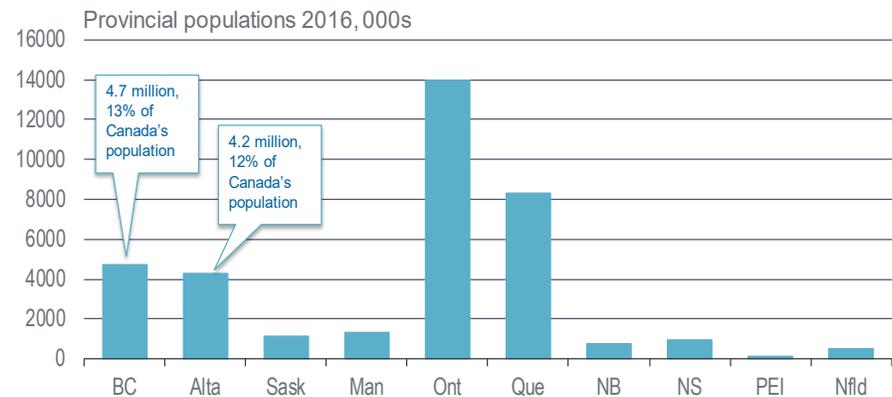
Although BC and Alberta differ in some respects, they also have many similarities. Most fundamentally, their economies are quite similar in size. In current dollars, total economic output (GDP) in Alberta was an estimated \$308 billion in

2016, while in BC it was around \$263 billion.¹ Although Alberta's economy is somewhat larger, BC has a slightly bigger population. BC and Alberta each account for 12-13% of Canada's population. Having a larger economy and a somewhat smaller population means Alberta is "richer" than BC: using the above figures, GDP per capita in Alberta is \$72,350 while in BC it stands at \$55,300. BC and Alberta are among the most prosperous provinces in the federation.

The economies of BC and Alberta have been comparatively strong for some time, albeit with bumps along the way. Since 2011, BC has led the country in average annual economic growth, followed by Alberta (Manitoba and Saskatchewan were close behind). Job opportunities that accompany economic growth have attracted migrants from other provinces. BC and Alberta are the only two provinces that have consistently (that is over longer-time periods) recorded net inflows of people from other parts of Canada. Although the crash in oil prices recently led to a modest amount of net outmigration, cumulatively over the past five years Alberta recorded a net inflow of more than 100,000. In BC, the cumulative net inflow over the same period was 55,000. Of interest, all other provinces experienced net outflows of people over the period 2012-2016.²

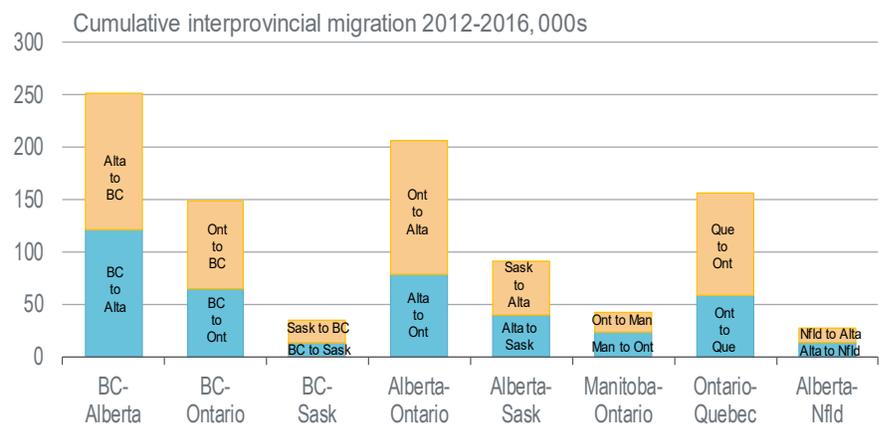
In addition to being the only two provinces with net in-migration from the rest of Canada, BC and Alberta have also had the highest levels of bilateral migration between any two provinces. Given the geography

FIGURE 1: BC AND ALBERTA POPULATIONS ARE SIMILAR



Source: Statistics Canada.

FIGURE 2: BC AND ALBERTA HAVE THE HIGHEST LEVEL OF INTERPROVINCIAL MIGRATION



Source: Statistics Canada, CANSIM table 051-0017.

of the country, this is not terribly surprising. But it is worth noting that geography and close economic linkages between BC and Alberta result in more interprovincial migration than occurs between Ontario — with more than three times the population — and any other Canadian province. One could reasonably expect that the greatest interprovincial migration flows would be between Ontario and Alberta or

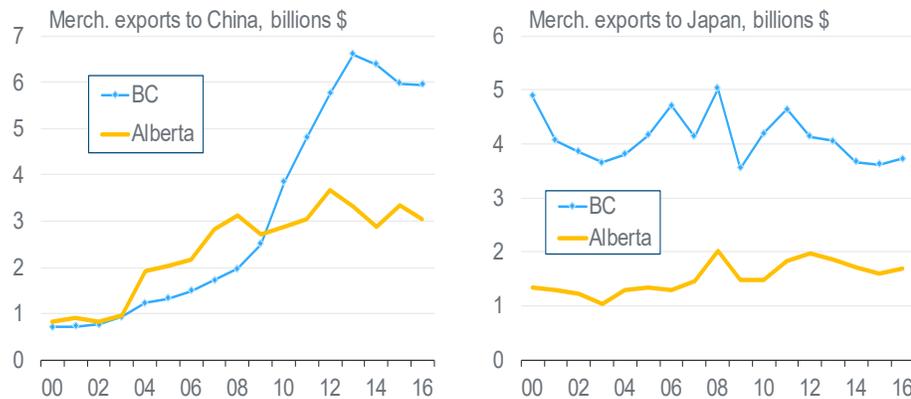
Ontario and BC. Although language inhibits mobility to some extent, one might also expect substantial migration between Ontario and Quebec, the two most populous provinces. Yet it is BC and Alberta that stand out as the two provinces with the largest absolute bilateral flow of people.

Over the past five years, more than 120,000 British Columbians have relocated to Alberta, while

¹RBC Economics, Provincial Outlook (September 2017).

²The westward migratory pattern has been evident for some time. Over a longer 10-year period, BC and Alberta were essentially the only two provinces to record net in-migration, with Saskatchewan recording a net inflow of just 1,127 persons.

FIGURE 3: EXPORTS TO CHINA CONTINUE TO RISE



Source: BC Stats.

approximately 130,000 Albertans have moved to BC. So, in total, the two-way movement of people between the two provinces exceeded 250,000 during the most recent half-decade. For Ontario and Alberta, the two-way migration flow over the same period was slightly more than 200,000. Between Ontario and Quebec, it reached 157,000.

**INTERPROVINCIAL
EMPLOYMENT**

One dimension of a “western Canadian labour market” is the pattern of interprovincial employment. This occurs when individuals work and earn income in another province but continue to reside in their “home” province. The quintessential example is a BC resident who “commutes” to Alberta to work in the oil patch. Tens of thousands of British Columbians work in Alberta across an array of industry sectors. Back in 2011,³ more than 64,000 BC residents reported earning some or all of their income in other provinces. For

Alberta, the comparable figure was 54,000. Again, the close BC-Alberta economic linkages are underscored by the fact that fully 60% of all interprovincial employment income received by British Columbians was earned in Alberta. For Alberta, BC was the source of one-third of interprovincial employment income (followed by 27% from Saskatchewan).⁴

THE GATEWAY

All of Canada’s provinces are part of a single national economy and polity. An important part of this is that they have a shared interest in facilitating international trade — not just individually, but collectively. This helps to explain why, constitutionally, the federal government has jurisdiction over transportation, as well as international trade and the building and operation of interprovincial infrastructure. It is also why the federal government has invested billions of dollars into transportation infrastructure in the Gateway to enable Canadian

industries, businesses, farmers and consumers to connect with markets in the Asia Pacific region.

Alberta benefits greatly from Canada’s transportation linkages to Asia. Last year, it exported more than \$4.7 billion to China and Japan (combined), and another ~\$1 billion to other Asian countries. Nearly all of this Alberta merchandise destined for offshore markets is shipped through British Columbia ports. Many consumer and industrial goods imported by Alberta also come via the BC Gateway. While BC’s Gateway connections to Asia are essential to the Alberta economy, the associated economic gains for BC are also substantial. Shipping Alberta’s exports and facilitating its imports through the Gateway generates earnings for BC in the form of transportation and related services (discussed further below), which in turn supports tens of thousands of jobs in this province.

BC-ALBERTA TRADE

Unsurprisingly, the BC-Alberta trading relationship is significant and complex. Data on interprovincial trade are limited and the figures are tabulated and reported with a lengthy delay. Still, even information that is a few years old provides useful insights into the role and relative size of interprovincial trade.

In 2013, BC exported an estimated \$16.6 billion worth of goods and services to Alberta. As it happens, this is more than BC sold to any other province. Geography clearly is a factor here, but it is noteworthy that even though Ontario’s economy is two and a half times as large as

³ Unfortunately, Statistics Canada only intermittently reports data on interprovincial employment, so the most recent numbers are for 2011.

⁴ René Morissette and Hanqing Qiu, “Interprovincial Employment in Canada 2002-2011”, Statistics Canada (June 2015).

Alberta's (and its population is more than three times greater), the value of BC exports to Alberta is 1.4 times greater than the value of its exports to Ontario, Canada's largest province.

Interprovincial trade tends to attract little attention, beyond sporadic discussions of breaking down interprovincial barriers. Some additional details and context for the BC-Alberta trading relationship are interesting and highlight the growing diversity and resilience of the BC economy, as well as the underappreciated economic importance of interprovincial trade.

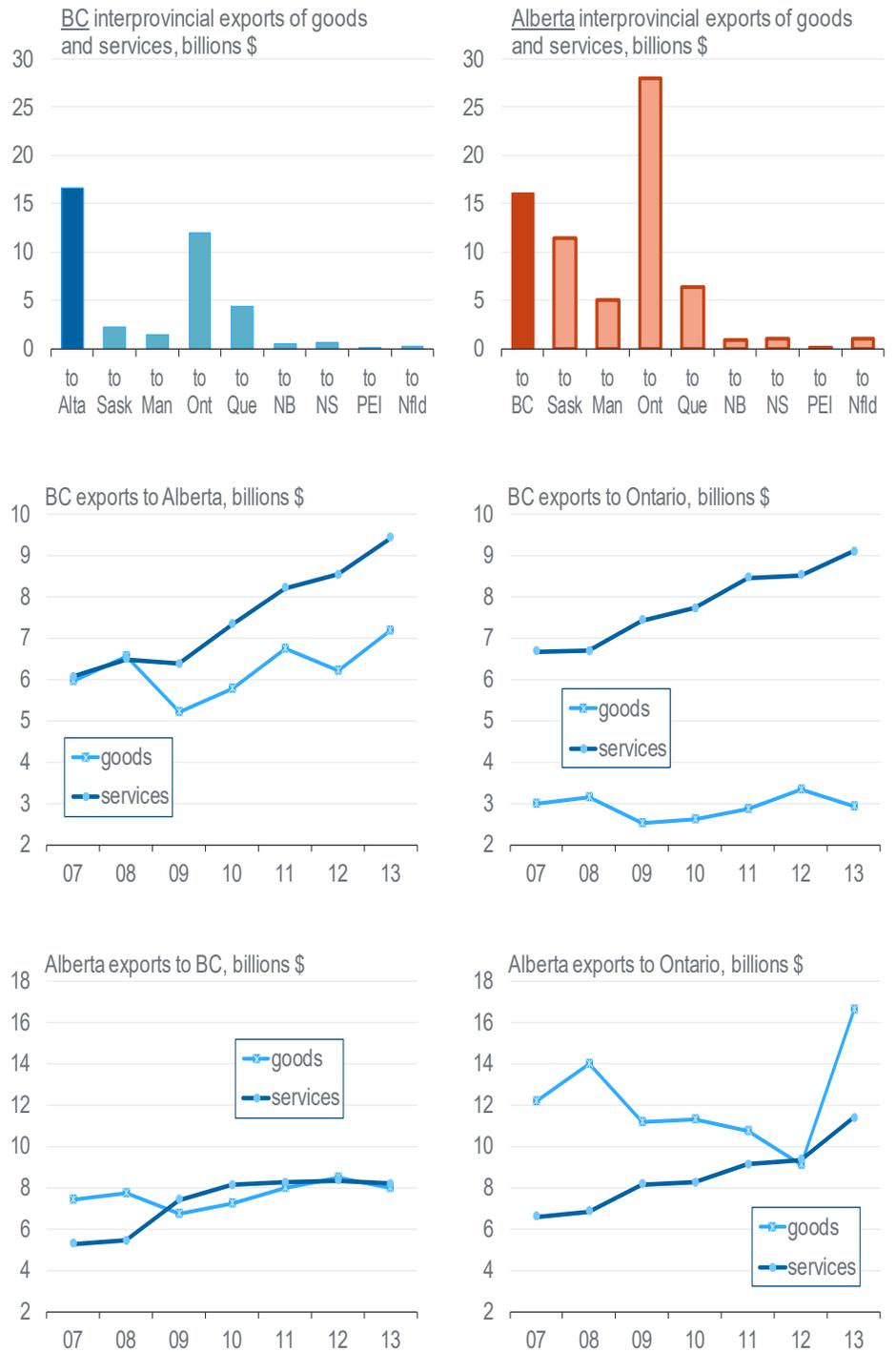
In 2013, the breakdown of BC's exports of goods and services to Alberta was as follows:

- We exported \$9.4 billion worth of services to Alberta and \$7.2 billion worth of goods. This means BC's merchandise exports to Alberta exceeded the value of its goods exports to China (\$6.6 billion) in the same year.⁵

The Alberta situation is slightly different. British Columbia ranks as Alberta's second largest provincial export market, after Ontario. However, the Ontario market is three times larger than the BC market (based on nominal GDP), and the population is almost three times as large. Alberta's exports to Ontario were 1.7 times greater than its exports to BC, even though the Ontario economy is roughly three times bigger than the BC economy.

- In 2013, Alberta exported \$8 billion worth of goods to BC. Its exports of services to BC amounted to \$8.2 billion in the same year. As such, Alberta's exports to BC significantly exceeded its exports to all of Asia in 2013.

FIGURE 4: STRONG AND GROWING TRADE LINKAGES BETWEEN BC AND ALBERTA



Source: Statistics Canada, CANSIM table 386-0003.

⁵ BC's exports of goods to Japan in 2013 were valued at \$4 billion.

**Eliminating Internal Barriers:
The New West Partnership Trade Agreement**

The New West Partnership Trade Agreement (NWPTA) is an accord between the Governments of British Columbia, Alberta and Saskatchewan, and subsequently Manitoba. The Agreement came into effect for Manitoba on January 1 of this year, while it has applied to the other three provinces since January 1, 2010. The NWPTA establishes the largest, barrier-free, interprovincial market in Canada. Under the Agreement, the four provinces are committed to fully reconciling rules affecting trade, investment and labour mobility by eliminating all barriers to the free movement of goods, trade in services, interprovincial investment, and the movement of people between the four provinces.

By signing the Agreement the four provinces are committed to:

- avoiding measures that restrict or impair trade between or through their territory, investment, or labour mobility.
- treating businesses, investors and workers of the other three provinces at least as favourably as they treat their own or those of another jurisdiction.
- reconciling unnecessary differences in standards and regulations.
- having an enforceable dispute resolution mechanism that is accessible by governments, businesses, workers and investors in order to ensure that each province lives up to its commitments.

Enhancing labour mobility is a key benefit of the Agreement. Under NWPTA, Alberta and British Columbia (and the other two provinces) recognize the respective standards for occupations regulated in other provinces. This means professionals, skilled tradespersons and other regulated occupations certified in one province are qualified to work in another of the signatory provinces. Labour mobility is greatly enhanced because people working in regulated occupations are able to work in another province without having to re-certify, write exams or undertake additional province-specific training. There are approximately 160 occupations regulated in BC, Alberta and Saskatchewan.

Interprovincial trade impediments create unnecessary red tape and cost consumers, businesses and investors time and money. But under the NWPTA, the Governments of Alberta and British Columbia (and the other two provinces) have streamlined business registration and reporting requirements, and eliminated residency requirements. Importantly, businesses are able to operate in both provinces without having to establish a second office, go through duplicative registration and reporting requirements, or obtain additional permits to operate.

For vendors or contractors selling to government, NWPTA has significantly reduced the thresholds at which Government must have open and non-discriminatory procurement, which benefits vendors looking to sell to goods or services to government in the other province.

It should be noted that BC and Alberta pioneered the elimination of internal trade barriers and the establishment a single interprovincial market with the predecessor Trade, Investment and Labour Mobility Agreement (TILMA). This ground-breaking accord established the framework for barrier free markets between the two provinces and laid the path to include Saskatchewan and Manitoba as part of the single internal market under the NWPTA.

**CONCLUDING THOUGHTS
AND POLICY IMPLICATIONS**

The economic connections between provinces are important sources of economic activity and economic growth all across Canada. Arguably, these linkages are most extensive between BC and Alberta, especially with respect to labour markets and interprovincial migration. Policy-makers in both provinces are advised to keep this in mind and work to further expand and facilitate trade, labour mobility and business connections generally. The economic ties between BC and Alberta have been strengthened by the Trade, Investment and Labour Mobility Agreement and further reinforced by the successor New West Partnership Agreement that included Saskatchewan and Manitoba.

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