CHARTING BC’S ECONOMIC FUTURE
ACADEMIC ROUNDTABLE
JUNE 24, 2013
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TABLE OF CONTENTS

WHAT IS SFU PUBLIC SQUARE? 2
SFU PUBLIC SQUARE 2013 COMMUNITY SUMMIT 3
INTRODUCTION 4
ACCESSING BC’S ECONOMIC PERFORMANCE 5-7
SWOT ANALYSIS 8-9
STRENGTH 8-9
WEAKNESSES 10-11
OPPORTUNITIES 12-14
THREATS 15-17
BC’S ECONOMY: OUR CURRENT STATE 18
THE DRIVERS 19
THE RISKS 20
BC’S COMPARATIVE ADVANTAGES 21
THE FUTURE OF BC’S ECONOMY 22-24
RESEARCH GAPS 25
APPENDIX: GLOBAL LEADERS IN BC 26-27
ATTENDEES 28-29
SFU Public Square, a signature initiative of the engaged university, was designed to convene and nurture serious and productive conversations about issues of public concern.

Launched in 2012, SFU Public Square has hosted an annual Community Summit, convened dozens of public conversations, and supported numerous government, business and community organizations through professional facilitation services.
SFU PUBLIC SQUARE
2013 COMMUNITY SUMMIT

Each year, SFU Public Square focuses attention and resources on a local, provincial, national or global issue. From September 28 to October 4, SFU Public Square will be hosting a series of events including a youth forum, 100 Community Conversations, an evening with Joseph Stiglitz, and a full-day dialogue with provincial thought leaders on the theme: Charting BC’s Economic Future.

“Faced with an increasingly competitive global economy, it is more important than ever that British Columbians find ways to work together on a common agenda for promoting the well being of the province and its citizens. This summit will bring together representatives of government, business, labour and other key groups to discuss British Columbia’s economic future. Particular attention will be given to the interrelationship between wealth generation and distribution, and to identifying strategies for promoting shared prosperity amongst all British Columbians. The summit will also explore the challenges posed by British Columbia’s political culture, and consider processes and mechanisms that might be used to overcome traditional divisions within the province, and to foster greater cooperation and collaboration in the development and delivery of such strategies.”

Andrew Petter,
President and Vice-Chancellor, SFU
INTRODUCTION

On June 24, 2013, SFU Public Square hosted an economic roundtable with 19 thought leaders to help inform the preparations for the 2013 Community Summit. The roundtable addressed the following guiding questions:

- What are the strengths, weaknesses, opportunities and threats in the BC economy?
- What are the current drivers in the BC economy?
- Where do we want to go?
- How will we get there?
- What research gaps exist on the BC economy that need to be addressed?
ASSESSING BC’S ECONOMIC PERFORMANCE

1. What is BC doing well?

- **Education.**
  BC has one of the best records in North America for getting kids through high school. This includes on and off reserve Aboriginal youth, though the benchmark is not very high.

- **Resource Extraction Development.**
  Rural BC plays an important role in wealth generation for the Province. Mining and Natural Resource Development is significant for the BC Economy.

- **Access to Information.**
  The government provides good and accessible information on foreign markets locally, through associations and partnerships.

- **Technology and Research.**
  There is a strong foundation for clean tech and green energy development. Incentives are available for technology and research.

- **Gateway/Access to International Markets.**
  BC’s location on the Pacific Rim and proximity to the USA provide access to global markets. BC is proficient in managing the flow of goods.

- **Attracting People.**
  BC’s business and lifestyle climate attracts wealthy individuals and international labour.

- **Environmental Protection.**
  BC has retained the quality of the natural landscape. BC has managed the resource sector in a way that maintains the quality of life.
• **Taxation.**
  BC provides a personal and business tax framework that is conducive to economic growth.

2. What in the BC economy needs to be addressed and improved?

• **Post-Secondary Education.**
  Need to better align post-secondary programs and training with the skills that employers are seeking to help address skill shortages in the province.

• **North and Rural BC.**
  There is a need to understand the opportunities and challenges in the northern and rural parts of the province, and to invest in those opportunities.

• **Environment.**
  There is a need for a better understanding and mitigation for the cumulative environmental impacts of extracting and transforming BC’s resources, and the byproducts.

• **Inequality.**
  There is an increasingly large portion of low-wage workers in the province and BC has one of the worst child poverty rates in Canada.

• **Diverse Exports.**
  There should be increased exports of both merchandise and services. BC has a proportionally smaller export base than most of the other provinces.

• **Manufacturing.**
  BC should diversify its manufacturing but whether it can increase the manufacturing export base is uncertain.

• **Cost of Living.**
  The increasing cost of living in BC has poorly understood consequences in terms of the labour force.
• *Land Certainty.*
  A long-standing issue is the uncertainty regarding land title in BC, specifically unceded territory.

• *Disconnect between Urban and Northern and Rural BC.*
  The economies of the lower mainland and northern and rural BC are very different and not understood as such.

• *Dependence on Natural Resources.*
  There is concern that the economy remains dependent on natural resource extraction and exports. Diversification of the BC economy has not been significant compared to Washington and Oregon, and BC has not yet captured the ‘knowledge explosion.’

• *Lack of Public Debate.*
  The public is not included in any discussions about the trade-offs between different avenues for growth.

• *Gateway.*
  BC has done a poor job of having the flow of goods ‘stick.’ BC does not derive further benefit, wealth or value from its location and access to markets.

• *Underutilized Diversity.*
  BC has not made the transition from a cosmopolitan to a metropolitan population, taking full advantage of the diverse population.

• *Volatility.*
  BC has not planned for the boom and bust of the resource sector well.

• *Infrastructure.*
  BC has not managed or built sufficient infrastructure to fully benefit from its location and access to markets.
### SWOT Analysis: Strengths

<table>
<thead>
<tr>
<th>Resource Endowment</th>
<th>Pacific Rim Location</th>
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<tbody>
<tr>
<td>• Abundant natural resources</td>
<td>• Close to Asian markets, natural endowments attract top talent even with high cost of living</td>
</tr>
<tr>
<td>• Human Capital</td>
<td>• Favorable climate</td>
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<tr>
<td>• LNG</td>
<td>• Geographic position</td>
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**Photo Credit:** HanspeterMayer
Relatively Strong Investment Climate
- Tax policy and labour market policy

Urban Attractions—Lower Mainland
- Strong “Jane Jacobs” Vancouver municipal politics
- Human capital/talent

Educated Workforce
- Education is excellent (both K-12 and PSE)
- Better Aboriginal education outcomes than other provinces
- Skilled workforce/education training facilities

Growth in Northern BC Resource Industries: Mining, Energy, Forestry, and Construction
- Substantial investments in resource and resource related projects over the next 10 years
- Resource and human capital base
- BC has resources that are in demand, especially in emerging economies

Tourism
- Global reputation

Port Development and Transportation
- Top quality port infrastructure helps make BC resource exports competitive
- Transportation hub

Focus on New Markets
- Market expansion and adaptability - flexible markets
SWOT ANALYSIS: WEAKNESSES

Aboriginal Relationship

- Aboriginal land claims unsettled
- Low Aboriginal education outcomes
- Duty to accommodate and consult with First Nations not well understood or practiced in resource extraction and development
- Uncertainty with regards to resource development: environment regulations and First Nation land claims

Inequality and Poverty

- High child poverty linked to lower educational attainment
- Household debt and relatively stagnant wages for many are putting the brakes on household consumption, exacerbated by weak housing market (75% of economy based on domestic consumption)
- A substantial part of the population is excluded from BC’s prosperity (Aboriginal, low-income families, new immigrants in low-wage jobs)

- “Rentier” mentality—those with wealth oppose economic activity that would benefit those without
- High cost of living (Lower Mainland, Victoria, Kelowna)

Strained Economic Development

- Economic Development Investment: we need to better invest where our wealth is generated—education and a healthy population
- Lack of sufficient public dialogue on trade-offs required for economic development and wealth generation

Resource Dependence

- Over-reliance on resource export in our provincial economic strategy (we don’t benefit as much as we can from our resources—no value-added jobs, risk of climate change)
- Volatile economy due to resource dependence
- Mountain pine beetle infestation limits forestry economy
Resource Extraction versus Green Economy

- Lack of long-term strategy to manage transition to low carbon economy
- Challenges advancing major projects: social license to operate, environmental opposition
- Short-term orientation to fossil fuel based development
- Split between North and South on development and environment

Lack of Job Creation and Skills Training

- Weak manufacturing sector hinders job creation
- Competing with Alberta for workers
- Labour mismatch—Skills identification and training for the economy that exists are lacking
- Citizen education on economy—little understanding of how the economy works

Taxation

- Taxation policy, particularly of investment and people: PST, Progressive Income Tax on upper earnings, and Carbon tax.
- Transition from HST back to PST

Global Economy

- Vulnerability to international commodity prices
- Few head offices with a global vision are located in BC
- Immigration policy, new Canadians need to be offered opportunities around the province
- Borders
- Lack of ties to USA

Regional Issues in Metro Vancouver

- Duplication, municipal costs, major infrastructure, no economic strategy
- Urban congestion

Political Polarization

- Political polarization
- Lack of integrated economic policy, especially environment and economy
- Lack of inter-regional collaboration
SWOT ANALYSIS: OPPORTUNITIES

International Trade
- Yet-to-be accessed markets—India
- Deeper penetration into existing markets—China
- Growth through exports (we sell what people want)
- Reduce trade barriers
- Increasing potential for trade with Asia Pacific

- Access to American markets
- Export education services
- Take advantage of ethnic diversity and overseas ties to build business and political/social relationships
Digital Economy
- Green technologies
- Clean/green tech based on BC comparative energy advantages
- Attractive location for digital technology enterprises

Capitalize on Global Opportunities
- Preserve BC ‘distinctiveness’ in increasingly homogeneous world
- Leverage cultural diversity for benefits in emerging economies
- US housing recovery
- Become a global leader in resource industry innovation

Knowledge Economy
- Capitalize on educated population
- Improve access to Post Secondary Education, training and apprenticeships
- Better pursuit of knowledge based industry
- Pursue comparative advantage in Aboriginal education

Leader Support for Green Options for Energy
- Build on BC’s carbon pricing regime
- Responsible transition to carbon neutral economy

Further Develop Resource Industry Especially in the North
- Pipelines (Northern Gateway, etc.) to diversify and increase trade
- Resource development including energy and mining expansion
- Making the prosperity ‘stick’ to BC through the northern communities where the growth is occurring

BC is Fiscally Strong
- Government has the room to make strategic investments (relatively low debt, strong revenue-generating capacity)
- Good investment climate relative to Canada, USA and North America
- Stable investment climate
Transportation Development
  • Vancouver/Prince Rupert shipping corridors

Human Capital Development
  • International talent pool
  • Population growth and attracting new people

Resource Abundance (LNG)
  • LNG exports—wealth generation and reduced provincial debt
### SWOT Analysis: Threats

#### International Threats
- US protectionism, border issues that disrupt trade
- China slowdown
- Global productivity growth—decline/aging
- Globalization—being left behind
- Weak global economic factors—export demands

#### Additional Threats
- Decline in global productivity growth
- Price-taker in commodity markets, less control of our future
- Stalled growth in emerging economies
- Late adopters of technology
- Other resource producing jurisdictions that can move faster to exploit emerging market demand
• Currency volatility
• Competition on: price, cost, regulations, tax policy
• Transportation congestion

Long-term Threats
• Aging population and workforce
• Child poverty, especially Aboriginal poverty—long-term economic development is threatened
• Population growth versus economic well-being of existing BC residents
• No public appetite to pay for required infrastructure
• Are we missing the next “big thing”?  

Environmental Degradation
• Climate change
• Lack of public policy direction for transportation improvements
• Inability to find compromise on economic development and environmental issues

Politics Interfere with Economic Growth
• Divisions along ideological lines of public politics
• Intensification of political conflict over reliance on Canada as a ‘petro-economy’

Unbalanced Wealth Generation
• Putting most economic wealth generation expectations on natural gas development and export as provincial policy

Housing
• Lack of affordable housing to accommodate growth, particularly in Lower Mainland
• Recession in China leading to low demand for Canadian imports, and house price correction
• Real estate prices collapse
Aboriginal Exclusion

- Failure to integrate Aboriginal workforce into market economy
- Continued conflict for Aboriginal communities
- Failure of treaty process and lack of structure around alternatives

Competition from Alberta

- Anti-resource development attitudes in BC
- Strong resource economy in Alberta, BC will lose workers migrating to our neighbour
- No comparative jobs in BC for young people

North versus South

- Hinterland versus Metropolitan mentality—dismissiveness about the importance of resource sectors to provincial prosperity
Rather than reviewing the SWOT in detail, roundtable participants were asked to identify the current drivers, risks and BC’s comparative advantages. Participants noted that there is a cyclical nature to BC’s economy. The drivers and risks need to be seen in light of cyclical changes and long-term trends in the global economy.
THE DRIVERS

Note: A distinction was made between cyclical changes and long-term trends. Currently, BC is hard pressed to find a strong sector in the province with the current downturn. In terms of major drivers, they are cyclical.

- 77% of all exports from BC come from the north, and are resource based; substantial investments in major project proposals in the coming years, which is half of all major project proposals in the province.
- Government services play a large role in the economy: Education 5.5% of BC GDP; Healthcare 7.5% of BC GDP.
- Gateway sector, including transportation and transportation logistics act as BC’s economic engine. Other leading sectors include: Oil and Gas 3.2% of BC GDP; Forestry 3% of BC GDP; Housing and construction 7.8% of BC GDP.
- Less is known about service exports such as manufacturing and high tech, but these bring a surprising amount of wealth.
- There are global factors that will have a significant impact on the current drivers of the economy. BC underestimates the influence of resource exports on the economy; one of the most significant risks to BC right now is price volatility in global demand for commodities.
THE RISKS

Labour Force Skills. The lack of an educated population who will take advantage of the demand for high-skill employment opportunities is a problem, especially amongst Aboriginal and middle-class Canadians.

External Forces. Commodity prices, inflation, interest rates and Chinese demand are all external influences over which BC has no control.

For Who? Not enough consideration is given to the final destination of wealth generated in the province; many external players are deriving the benefit from BC wealth.

Retired population. An increasing proportion of the population of BC is retired, and this brings rising health care costs.

“Hinterland vs. Heartland” concept. This concept is not conducive to effective consideration or conversation about BC’s economy.

Currency Effect. Commodity prices (oil in particular) spike the CAD, which negatively impacts non-resource exports, notably manufacturing, tourism, and non-oil resource exports.
BC’S COMPARATIVE ADVANTAGES

- Globally recognized universities
- Biomass products meet EU and UK requirements for renewable energy sources
- Historical comparative advantage in resources (although this may be declining)—i.e., mining, forestry, and natural gas.
- Tourism; venues, wine
- Manufacturing companies
- Wireless communication
- Municipal planning, services, and construction
- Resource based industry clusters, i.e., manufacturing companies that support resource extraction
- Transportation services and infrastructure
- Innovative healthcare and research

Examples of Clusters

- High tech start-ups
- Natural resource services/research/engineering companies
- IT/digital media
- Alternative media
- Biomass technology
- Health research
- Environment/tourism

Participants were also asked to identify particular companies, public services or social enterprises that were leaders in the global market. [See Appendix for a list of names]. Participants also cautioned about focusing on one-off or anecdotal stories of success but rather focus on clusters that have global positioning.
For the balance of the session, the discussion shifted from a focus on current conditions to visioning the future. Participants were asked to frame their vision by considering wealth generation, social equity and environmental protection. Before moving to visioning, participants outlined some of the important demographic trends that will impact BC’s future economy.
Demographic Context

- In the next 20 years, baby boomers will have retired, while the labour force is anticipated to grow by only 1% per year.
- Aboriginal children will make up 11% of the school population very soon, and the Aboriginal portion of the population is relatively young.
- Two thirds of population growth is driven by immigration, and some consideration needs to be given towards where we are attracting immigrants.
- By 2030, more than 50% of the population will consist of current visible minorities, which raises issues of integration into the economy and society.
- Canada wide, there are a large number of temporary foreign workers who likely have some expectations to stay long term.

Where do we want to be in 2030 and how do we get there?

- Vibrant and flexible economy with a high standard of living
- Robust export performance
- Sufficient private and public investment spending
- BC should continue to utilize and provide cheap power
- Resource exports should meet high environmental standards
- There should be industrial growth in clean technologies
- The lower-mainland should remain green and livable
- Wealth creation leading to social equity and environmental protection
- Improved transportation infrastructure; more infrastructure investment in power, road, rail across the entire province to allow the economy to grow
- Investment in human capital, including women, Aboriginal population, and children
• More diversity around the table to discuss the future and the economy
• More certainty surrounding land title and the future prospects of Aboriginal communities, who are looking 100 years out
• More diversity to mitigate against booms and busts of resource based industries
• Leadership in advanced education and skills training, address potential skills services and shared jurisdiction. Specialized training that is the foundation for the manufacturing sectors following the Swiss/German model. Adequately trained and skilled workforce
• Post-secondary system tied more closely to employment opportunities
• Strategic use of natural resources, focused on adding value before they are exported
• More use of resources through value added industries, royalties, and more employment
• Rural and small towns in BC are diverse and stable
• Financial sector—access to affordable credit throughout the province
• Alternative means of financing hard infrastructure (private capital and public interests)
• Canada and BC remain peaceful and stable
• More integration between rural and metro economies to promote balance and more diversity
• Diversified global markets
• Minimal environmental degradation
RESEARCH GAPS

Although there is strong statistical data, there is a lack of analytical research on BC’s economy. With the exception of Credit Union Central, BC Business Council, the Canadian Centre for Policy Alternatives and sector specific research conducted by universities, participants expressed their concern in the lack of analytical information on current and future trends for BC’s economy. Although the conversation about research was truncated due to time, participants followed up with specific suggestions for further research:

What research or data do we need?

- A body of research and data that identifies basic trends, developments, and analysis to which most can agree as a starting point
- Need to distinguish between different types of commodities, such as coal vs. LNG
- Need to distinguish between cyclical and structural factors affecting economic growth
- Bio-mass in very remote communities—what does it look like/what is the cluster?
- BC has a large share of small companies, is this a barrier or an engine of growth?
- Robust research concerning the mismatch of jobs, the evidence is anecdotal
- Misperception regarding the extent to which the Provincial Government can direct the economy
APPENDIX: GLOBAL LEADERS IN BC

- Northern Health Authority
- BC Cancer Agency
- Wavefront
- Hootsuite
- Goldcorp
- Jim Pattison
- Lululemon
- TK shipping
- Fairmont shipping
- YVR - manage airports in Chile and Caribbean
- BMW and Ballard fuel cell – significant investments in fuel cell technologies
- Port Metro Vancouver
- Digital Arts (EA)
- Urban Municipal Planning (Vancouver as a ‘model’)
- Green Tech (Westport Innovation, Ballard)
- Pacific Rim Engineering
- Telus
- Pinnacle renewable
- UNBC
- Nexterra
- Macdonald Dettwiler (MD)
- UBC
- Pinnacle Pellet (bioenergy)
- Tourism Smithers
- Ski hills
• Sport fishing lodges in NW
• FN art
• West Fraser Timber/Canfor
• Flickr
• Okanagan Wine
• North East gas exploration/production
• Tourism
• Seaspan
• Professional Services (Asia-focus): all major law firms/accounting firms have their “Asia practice” headed (or co-led) in Vancouver
• Colliers: Asia pacific HQ is in Vancouver
• Buckland and Taylor—bridge designers
• PuSH Cultural Festival
• Indie Rock (Monarch Studios)
• Credit Union Sector (CCEC or Vancity)
• Pacific Rim Engineering
• David Green
ATTENDEES

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BC Investment Management Corporation

Charles Lammam
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John Richards
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Nancy Olewiler
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