



Generating Wealth

A Summit for Western Canada's Next Generation
of Business Leaders

Summary Report

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Canada*West*
FOUNDATION

THE NEXT WEST PROJECT

The next two decades will see BC, Alberta, Saskatchewan, and Manitoba go through a variety of economic, generational, and community transformations. The best way to deal with this changing climate is not to react to changes as they happen, but to foresee what the changes will be and get ourselves ahead of the curve. This is the goal of the NEXT West Project.

Core funding for The NEXT West Project has been provided by Western Economic Diversification Canada and the Kahanoff Foundation.



Western Economic
Diversification Canada

Diversification de l'économie
de l'Ouest Canada

Canada



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Acknowledgements

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This report was prepared by Canada West Foundation Senior Policy Analyst Dr. Jason Bristow and is part of the Canada West Foundation's The NEXT West Project. Core funding for The NEXT West Project has been provided by Western Economic Diversification Canada and the Kahanoff Foundation. The opinions expressed in this document are those of the author and are not necessarily those of the Canada West Foundation's Board of Directors, advisors, or funders. Permission to use or reproduce this report is granted for personal or classroom use without fee and without formal request provided that it is properly cited. Copies may not be made or distributed for profit or commercial advantage. This report is available for download from the Canada West Foundation website (www.cwf.ca) at no charge.

Introduction

Organized by the Canada West Foundation as part of *The NEXT West Project, Generating Wealth: A Summit for Western Canada's Next Generation of Business Leaders* was held on October 26, 2007 in Calgary. The Summit brought together 52 entrepreneurs and business leaders from the four western Canadian provinces. These leaders of tomorrow were all under 40 years of age.



Canada West Foundation Chair Jim Gray addresses the opening session of the Generating Wealth Summit.

A dozen of the participants came from Manitoba, 14 from Saskatchewan, 18 from Alberta, 7 from British Columbia, and 1 came from the Northwest Territories. There were 17 women and 35 men.

The Summit was held to gain a better understanding of the factors that young western Canadian business leaders think will shape the economy over the next 10-20 years, what they want governments to be doing to help ensure that Canada's economy is competitive over the long-term, and what they think the private sector should do to adjust to changing economic circumstances.

The results complement a public opinion survey conducted by the Canada West Foundation in 2006 that included a random sample of 4,000 western Canadians (2,000 under age 35 and 2,000 35 years of age and over) and provide policy-makers with valuable information about where the NEXT West wants the economy and economic policy to go.

This report has two sections. Section 1 provides an analysis of the main themes that emerged at the Summit. Section 2

provides a summary of the keynote addresses by the Honourable Gary Filmon, former Premier of Manitoba, and by Dr. Francis Fukuyama, Bernard Schwartz Professor of International Political Economy at Johns Hopkins University.

Section 1: Participant Discussion

It became obvious throughout the day that the mood in the room was one of optimism and opportunity. When Robert Roach, the Summit moderator, asked how many of the participants foresaw themselves remaining in western Canada over the medium- to long-term, more than three-quarters put up their hand.

The main challenge to the future of generating wealth is the need to diversify the economy. Participants recognized that, although the commodity boom is responsible for tremendous economic growth today, natural resources have (to quote Gary Filmon) both "time and capacity limits."



The Summit featured lively table discussion among participants throughout the day.

Participants also viewed China as a threat to the current manufacturing that occurs in Canada. Given the extraordinary competitive advantage China has (labour supply and labour costs), one participant wondered if there would even be a manufacturing sector in Canada in 20 years.

Participants expressed the desire to generate economic growth by moving up the value chain and creating a sustainable economic base by leap frogging manufacturing to develop highly skilled service areas such as health and life sciences.

A second main economic challenge is labour shortages, both current and projected.

Participants emphasized a “perfect storm” of converging factors that will worsen an already tight labour market: economic growth that requires more workers; the Baby Boomers starting to retire in large numbers; and “immigration and talent competitiveness” that will pull labour to places other than Canada.

Several solutions were put forward. The West's Aboriginal population was seen as a relatively untapped opportunity while others emphasized workplace flexibility as a way to alleviate the labour shortage.

It was argued that the Generation Y cohort (defined as those born after 1980) need to have incentives to keep them interested in work and retain them. One participant said that young people like “innovation and a fun work atmosphere” and that, by striving for this, his company had grown from 6 to 25 people.

Another cluster of opinion argued strongly for “liberalizing immigration.” One participant said that “our forefathers got it right with massive immigration,” but expressed concern that Canada is now more concerned with “cherry picking immigrants.” Given the inability to replace current workers due to impending retirements, and the additional workers a growing economy will require above and beyond this, increasing immigration is one of the more important economic issues facing Canada over the next generation.



Dr. Francis Fukuyama meets with Canada West Foundation's Director of Operations Lori Zaremba and Senior Policy Analyst Jason Bristow.

Another economic challenge is investment attractiveness. It was pointed out that the large capital market (defined as capital investments of greater than \$5 million) for risk capital was strong, but that the mid-cap market (defined as between \$500,000 and \$5 million) is under-capitalized.

Three other economic issues were tabled as challenges shaping the western Canadian economy: corporate taxation, internal trade, and a single securities regulator.

Some participants argued that Canada does not have a competitive corporate tax rate. “Changes are necessary to the tax structure to allow our companies to be global leaders...the current tax system deters the growth of Canadian companies, preventing them from becoming global leaders.”

Participants discussed tax reform in terms of corporate, not personal, tax. It is worth noting that, for a group of businesses leaders, not one participant argued that personal income taxes should be lowered.

The BC-Alberta Trade, Investment, Labour Mobility Agreement (TILMA) was mentioned by name and it was suggested that the other provincial governments should join the agreement.

The Smart Regulations initiative (a reform intended to simplify the regulatory process) was also mentioned and several participants made general statements about regulatory barriers hurting Canadian competitiveness.

The lack of foreign credential recognition was mentioned as impeding competitiveness as was the absence of a single securities regulator.

There was a consensus that western Canada's economic success lies in diversifying the economy into the highly skilled service sector. This means building on strengths in financial services, insurance services, logistics, alternative energy (wind, tidal, solar, nuclear), and nano-technology. The areas identified most often for growth potential were the health and life sciences.

There was discussion of several ideas necessary to promote western Canada as a champion of health research. Central to this is the idea of risk-taking.

Several participants said that, in the new global economy, the world is “spiky,” meaning locations matter. Industries often tend to cluster in one physical location.

There was a cautious consensus that governments should be allowed to back winners (though not necessarily pick them).

Competitive advantage was repeatedly mentioned. Several participants expressed the desire to see western Canada emerge as a centre of competitive advantage in health science research.

Although the overall discussion focused on macro-economic opportunities and challenges, the participants did talk about human resource and demographic topics. The private sector can lead by deploying human capital more flexibly and effectively. Older, experienced workers function as institutional memory and repositories of wisdom, and several people mentioned that often it takes two or three younger workers to replace fully an older worker when he or she goes.

Firms should get better at planning successions, and it was recommended that more Generation Xs and Ys be included on boards of directors. Without smooth inter-generational turnover, firms face a variety of preventable risks.

There is a substantial difference between the generations, and it is not clear that Generation X, which currently tends to be the middle and upper-middle managers, really understands the work-life philosophy of Generation Y. A generational gap exists on several topics: expectations for promotion; attitudes about hierarchy; work ethic; work-life balance; use of technology; and advertising and marketing.

The smooth entry of a large number of Generation Ys into the labour force will improve productivity and competitiveness.

To conclude, the 52 young adults brought together at the Summit viewed government in a positive light. There was little discussion of rolling back government and rolling back taxes, with the exception of corporate taxes. Instead, there was an expressed desire for government leadership and vision. As one of the participants put it: “government is missing a vision of what they are trying to achieve and where they are trying to take Canadian citizens, provincial residents, even municipal residents.”



Participants listen to one of several expert presentations during the Summit.

Although there were a couple of participants who questioned the ability of individual politicians or the wisdom of a particular policy, there was a conspicuous absence of cynicism about the political process and the role of government in the economy.

Related to this generally positive mood, the discussion did not neatly map on to the traditional political spectrum of left-to-right. While there were a couple of individual comments that could straightforwardly be called Liberal or Conservative, most of the discussion transcended predictable political categories. This could be good because the leaders of tomorrow are thinking in fresh ways, but it might also make consensus and action difficult, because the prescriptions will fall across party lines and there will be no natural mechanism to advocate the translation of ideas into policy.

Summary of Key Themes

What factors will shape Canada's economy over the next 10-20 years?

- Labour shortages
- Aging of the population
- Changing approaches to work on the part of younger generation (e.g., increasing importance of lifestyle considerations among younger workers)
- Retirement of experienced workers
- A lack of succession planning is a problem
- The difficulties nonprofit organizations have attracting and retaining employees is a problem
- Climate change and reducing carbon emissions



Canada West Foundation Director of Research Robert Roach addresses Summit participants.

- Increase support technology and knowledge transfer
- Improve tax incentives for emerging industries
- Use tax incentives to encourage private investment in the creative economy
- Reduce business taxes
- Reduce the regulatory burden
- Increase interprovincial cooperation and federal-provincial cooperation
- Increase support for diversification of the economy away from natural resources
- Create a national securities regulator
- Exercise fiscal discipline and keep public debt low

- Pressure to become environmentally sustainable
- Ongoing globalization
- Increasing productivity will be a challenge
- Rise of China and other international competitors
- Manufacturing moving to other countries
- Service sector moving to other countries
- Canada-US relations
- Immigration
- Access to capital
- Aging and inadequate transportation system
- Technology
- New forms of social networking (especially via the internet)
- Increased disparity between rich and poor

What can governments do to help ensure that Canada's economy is competitive?

- Show leadership and take the long-view
- Greatly increase the speed of decision-making
- Ensure that experts play a larger role in policy-making
- Increase the availability of affordable housing
- Do more to attract and retain workers
- Expand Aboriginal participation in the workforce
- Include finances and entrepreneurship in high school curricula
- Increase investment in universities and the knowledge economy
- Increase immigration and recognition of foreign credentials and experience
- Increase investment in communications infrastructure

What can the private sector do to adjust to the changing economy?

- Attract more investment in the mid-market range (\$500,000-\$5 million)
- Ensure knowledge transfer from older workers to younger workers
- Involve younger workers at the board level
- Increase flexibility for workers (e.g., working from home, work-life balance, elder care) and increase understanding of what younger workers want
- Innovate (this will be indispensable to competing in the global economy and to moving up the value chain)
- Invest in and adopt environmentally sustainable practices
- Invest in cultural awareness and language training
- Foster more relationships between business and post-secondary institutions
- Leverage international relationships
- Articulate a long-term economic and social vision developed by the business community
- Increase the rewards for risk-taking (at both the individual level and company level)
- Increase private sponsorship of research and do not wait for government
- Entrepreneurs should offer internship programs
- Encourage governments to facilitate a switch to a high-end services economy

Section 2: Summary of Keynote Presentations

The Honourable Gary Filmon:

What should the role of government be in generating wealth?

Within a decade, the western provinces will have a combined GDP equivalent to Ontario, and Alberta will have a larger GDP than Quebec. The West is growing relative to central Canada, and it needs to drop its self-deprecating modesty.

As the industrial heartland goes through difficult times ahead, there will be a tendency to redistribute income to central Canada and support industries that will be increasingly un-competitive.

There is a huge competitiveness difference between Chinese and North American auto manufacturing. In North America, auto production costs \$78/hour (which includes health insurance, pension liabilities, and other forms of compensation). In China, auto production labour costs are 39¢/hour—200 times less than in North America. There is no way to compete with these costs. Consider that the average Chinese factory employee works 11-hour days, for 13 out of 14 days, making approximately \$200/month.

Western Canada has many promising industries: biotechnology, nano-technology, logistics, computers and software, and financial services. Globalization has made technological innovation key to Canada's economic future.

To the question of what western Canada and Manitoba needs more of, the answer is simple: risk-taking. We need 100 Izzy Aspers (who founded CanWest Global). It is the commercialization of ideas that leads to wealth.

A public policy framework to encourage risk-taking could be designed by answering three questions:

- Will it encourage innovation and support entrepreneurship?
- Will it encourage people to take risks in the first place?
- Will it help to disseminate knowledge?

The policy framework most in need of revision for investment is the health-life sciences: it is a \$1 trillion-plus industry.

How can government inspire its citizens?

- “show the fox the rabbit”—make priorities straightforward and prepare to be judged on this basis;
- recognize the value of entrepreneurship; and
- influence the values of citizens.

During the 1970s and 1980s, governments and people became comfortable with debt. But this was debt without yielding an asset. Two western provinces—Alberta and Manitoba—were the first to pass balanced-budget legislation.

Another change that is occurring is the transfer to sub-national authorities in areas like trade, foreign relations, and immigration. Regional relationships, like the Pacific Northwest Economic Region (PNWER), are common. This type of trans-boundary collaboration has worked well to devolve authority.

Finally, resource and commodity production have both time and capacity limits. Governments do not produce innovation, but they have an influence on whether it happens.

Question and Answer:

Question – It seems that business people are looked up to, but civil servants and politicians are not viewed in the same way. Can you comment on this? Gary Filmon – The holders of public office need to be respected. It is true that “we deserve the



The Honourable Gary Filmon shares his views on the role of government in generating wealth during his keynote presentation.

government we get." There used to be a gulf between business and government, but this is changing, it is shrinking.

Question – Please comment on the potential to develop Canada's fresh water as a resource. Gary Filmon – Canada has 20% of the world's fresh water for 1% of the world's population.

Question – Where will the leadership come from to prevent the subsidization of increasingly uncompetitive industries? Gary Filmon – The leadership needs to come from those in the room right now.

Question – Does government have a role to invest in infrastructure? Ireland is an example here. Gary Filmon – Ireland invests heavily in education, and an educated labour force will be an absolute key to generating national wealth in the future.

Question – What will be the opportunities for Aboriginals in the workforce? Gary Filmon – By the end of this decade, 1 in 4 workers in Saskatchewan and Manitoba will be Aboriginal.

Comment from a participant – Finland, Denmark, and Sweden all have really strong partnerships between business and post-secondary institutions, and it is not a coincidence that these countries have high productivity. We should overcome the idea that academics are not there to help foster ideas to make money.

Dr. Francis Fukuyama:

The Ideas That Shape International American Behaviour

Dr. Fukuyama gave a wide-ranging and intellectually challenging talk on the ideas underlying the neo-conservative foreign policy of the Bush Administration and made cautious predictions for a changed US foreign policy.

The origins of the Bush Doctrine, embodied in the 2002 National Security Strategy of the United States, have both distant and proximate roots. The ideas of social engineering, American military power as an instrument of good, and American exceptionalism can all be traced back to before World War II. The contempt for international institutions grew out of, among other things, Dutch peacekeepers—operating under a UN mandate—being taken hostage during the Bosnia conflict. The idea of pre-emption flowed immediately from the attacks of September 11.

With this as a background, Dr. Fukuyama discussed the Iraq War. He noted that, of the three rationales for invading Iraq (weapons of mass destruction, the link between Iraq and Al Qaeda, and promotion of democracy), the first two were exposed as false within months of the March 2003 invasion of Iraq. This, coupled with the evident lack of planning by the Defense Department to secure the peace after winning the war, strongly suggested ulterior motives and inadequate knowledge of how to promote democracy.

He also noted that:

- pre-emption depends upon superb threat and risk assessment;
- war can not be declared on "terror," since it is a purpose and an abstraction;
- the military was not prepared to fight an insurgency that grew out of sectarian violence and was complicated by interference from Iraq's neighbours; and
- American motives for regime change would be viewed with near-universal suspicion and despised by those both inside and outside the Arab and Muslim world.

He concluded his Iraq remarks by saying that he does not believe a constitutional democracy will come to pass in Iraq, both because of the American public's demand for troop withdrawal and because the amount of sectarian violence has poisoned the ability of the groups to work inside of a common polity.



Dr. Fukuyama answers questions from the floor during his keynote presentation titled "The Ideas That Shape International American Behaviour."

He then said that, should a Democrat win the White House in the next election, the first order of business will likely be to close Guantanamo Bay and halt the interrogation practice of extraordinary rendition. A Democratic president would also make a meaningful effort to reach out to the world community, by working within established international institutions.

Question and Answer:

Question – Canadians are often insecure about our place in the world and how others view us on the world stage. One area where we are currently active is Afghanistan. Is this recognized? Francis Fukuyama – It is. Canada is making an important contribution to the reconstruction efforts there and this will pay off for the long-term prospects for Afghanistan. Canada's contribution is recognized inside of NATO and within Washington.

Question – To ask for some clarification, did you say that you feel Iran should have nuclear weapons? Francis Fukuyama – I don't endorse Iran having nuclear weapons. I can understand from a rational point of view that they would want to have them. They believe that they would be less likely to be invaded if they have a deterrent than if they did not have nuclear capability.

Question – Who do you think will win the presidency next year and why? Francis Fukuyama – I'm a registered Republican who will not vote Republican in 2008. I think that this Administration has not done a good job, and there's a good argument to be made for letting another group have a chance.

Right now, Hillary Clinton looks unbeatable, but I personally can not get that excited about Hillary. There is a lot that can happen in the next year.

Conference Participants:

Scott Antonation	Cam Skoropat
Jeret Bode	Trevor Sprague
Brian Boulanger	Regan Stevenson
Jeff Boutilier	Chris Stewart
Patricia Bullis	Tina Svendahl
Jeff Carlson	Joel Tennison
Bradley Chisholm	Victor Thomas
Chuck Davidson	Peter Thomson
Romel Dhalla	Leah Tremain
Elmer Eashappie	Glencora Twigg
Gregg Filmon	John Van Ham
Craig Gates	Hank Venema
Jodi Greig	Candice Versace
Zane Hansen	Dan Weber
Samantha Holmes	Karen Wichuk
Tina Jones	Renée Wong
Jeff Klause	Tanya Yeast
Zoë Kolbuc	Al Zack
Michael Mannix	
Tom McClocklin	
Trevor McLeod	
Michael Napier	
Michelle Painchaud	
Danielle Pass	
Rick Peddle	
Elton Pereira	
Leigh Pickford	
Michael Pierce	
Katie Plintz	
Shelley Ralston	
Brenda Rebman	
Dawson Reimer	
Richard Roth	
RoseAnna Schick	
Kent Seib	

Conference Program:

GENERATING WEALTH

A SUMMIT FOR WESTERN CANADA'S NEXT GENERATION OF BUSINESS LEADERS



Friday, October 26, 2007

Delta Calgary Airport Hotel, McCall Ballroom
Calgary, AB

PROGRAM

MORNING SESSIONS
OCTOBER 26

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Our Vision

A dynamic and prosperous West in a strong Canada.

Our Mission

A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces and all Canadians.

- 8:00 a.m. REGISTRATION & BREAKFAST *McCall Ballroom Foyer*
- 8:30 – 8:50 a.m. SUMMIT GREETINGS *McCall Ballroom*
Host: Dr. Roger Gibbins, President & CEO, Canada West Foundation
Summit Chair: Mr. James K. Gray, Chair, Canada West Foundation
- 8:50 – 9:20 a.m. KEYNOTE ADDRESS
“What Should Government’s Role Be in Generating Wealth?”
The Honourable Gary Filmon, Former Premier of Manitoba
Q & A - 9:10 – 9:20 a.m.
- 9:20 – 10:20 a.m. ROUNDTABLE DISCUSSION
Moderator: Robert Roach, Director of Research, Canada West Foundation
What factors are shaping—and will shape—Canada’s economy over the next 10-20 years?
- 10:20 – 10:40 a.m. BREAK
- 10:40 – 11:30 a.m. ROUNDTABLE DISCUSSION
Moderator: Robert Roach, Director of Research, Canada West Foundation
What can governments do to help ensure that Canada’s economy is competitive?
- 11:30 – 12 noon NETWORKING BREAK *McCall Ballroom Foyer*
- 12 noon LUNCH *McCall Ballroom*
- 12:30 – 1:20 p.m. LUNCHEON KEYNOTE ADDRESS
“The Ideas That Shape International American Behaviour”
Dr. Francis Fukuyama, Bernard Schwartz Professor of International Political Economy, Johns Hopkins University
Q & A - 1:10 – 1:20 p.m.

Conference Program (continued):

GENERATING WEALTH



A SUMMIT FOR WESTERN CANADA'S NEXT GENERATION OF BUSINESS LEADERS

Friday, October 26, 2007
Delta Calgary Airport Hotel, McCall Ballroom
Calgary, AB

PROGRAM

AFTERNOON SESSIONS
OCTOBER 26

SPONSORED BY:



- 1:20 p.m. NETWORKING BREAK *McCall Ballroom Foyer*
- 1:35 – 2:30 p.m. ROUNDTABLE DISCUSSION *McCall Ballroom*
Moderator: Robert Roach, Director of Research, Canada West Foundation
What can the private sector do to adjust to the changing economy?
- 2:30 – 2:40 p.m. SUMMARY REMARKS AND NEXT STEPS
Dr. Roger Gibbins, President & CEO, Canada West Foundation
- 2:40 – 2:45 p.m. CLOSING REMARKS
Mr. James K. Gray, Summit Chair
- 2:45 – 4:00 p.m. NETWORKING WINE & CHEESE RECEPTION *Garden Terrace*

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FOUNDATION

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About the Canada West Foundation

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Canada West Foundation is a registered Canadian charitable organization incorporated under federal charter (#11882 8698 RR 0001).

In 1970, the One Prairie Province Conference was held in Lethbridge, Alberta. Sponsored by the University of Lethbridge and the Lethbridge Herald, the conference received considerable attention from concerned citizens and community leaders. The consensus at the time was that research on the West (including BC and the Canadian North) should be expanded by a new organization. To fill this need, the Canada West Foundation was created under letters patent on December 31, 1970. Since that time, the Canada West Foundation has established itself as one of Canada's premier research institutes. Non-partisan, accessible research and active citizen engagement are hallmarks of the Foundation's past, present and future endeavours. These efforts are rooted in the belief that a strong West makes for a strong Canada.

More information can be found at www.cwf.ca.

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